FORM 10-Q

FAIRPOINT COMMUNICATIONS INC - FRCMQ

Filed: November 20, 2009 (period: September 30, 2009)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(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**

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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;
- 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	December 31, 2008
	(Unaudited)	
Assets		
Current assets:		
Cash	$ 63,529	$ 70,325
Restricted cash	2,083	8,144
Accounts receivable, net	179,748	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	**364,182**	**352,364**
Property, plant and equipment, net	1,976,453	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	**$ 3,205,874**	**$ 3,335,940**
Liabilities and Stockholders' Equity		
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	118,411	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	**443,770**	**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	900	890

September 30, 2009 and December 31, 2008, respectively		
Additional paid-in capital	726,195	735,719
Retained earnings (deficit)	(682,217)	(578,319)
Accumulated other comprehensive loss	(127,951)	(134,504)
Total stockholders' equity (deficit)	**(83,073)**	**23,786**
Total liabilities and stockholders' equity	**$ 3,205,874**	**$ 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
Revenues	**$ 268,284**	**$ 328,255**	**$ 879,525**	**$ 955,359**
Operating expenses:				
Cost of services and sales, excluding depreciation and amortization	128,550	152,579	396,404	422,316
Selling, general and administrative expense, excluding depreciation and amortization	120,391	104,679	310,789	270,085
Depreciation and amortization	68,570	60,768	205,066	184,434
Total operating expenses	**317,511**	**318,026**	**912,259**	**876,835**
Income (loss) from operations	**(49,227)**	**10,229**	**(32,734)**	**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	16,071	3,415
Total other expense	(68,196)	(52,514)	(128,139)	(67,786)
Income (loss) before income taxes	(117,423)	(42,285)	(160,873)	10,738
Income tax (expense) benefit	40,120	17,176	56,975	(3,190)
Net income (loss)	**$ (77,303)**	**$ (25,109)**	**$ (103,898)**	**$ 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	$ (0.87)	$ (0.28)	$ (1.16)	$ 0.11
Diluted	(0.87)	(0.28)	(1.16)	0.10

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

Nine months ended September 30, 2009

(Unaudited)

(in thousands)

	Common Stock		Additional paid-in capital	Retained earnings (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	—	—	—	(103,898)	—	(103,898)
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	90,016	$900	$726,195	$(682,217)	$(127,951)	$ (83,073)

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

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	**$ (77,303)**	**$ (25,109)**	**$ (103,898)**	**$ 7,548**
Other comprehensive loss, net of taxes:				
Defined benefit pension and post-retirement plans (net of $1.3 million and $3.4 million taxes, respectively)	3,267	—	6,553	—
Total other comprehensive loss income	**3,267**	**—**	**6,553**	**—**
Comprehensive (loss) income	**$ (74,036)**	**$ (25,109)**	**$ (97,345)**	**$ 7,548**

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine months ended September 30, 2009 and 2008

(Unaudited)

(in thousands)

	Nine months ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net (loss) income	$ (103,898)	$ 7,548
Adjustments to reconcile net income to net cash provided by operating activities excluding impact of acquisitions:		
Deferred income taxes	(59,089)	15,354
Provision for uncollectible revenue	40,297	13,004
Depreciation and amortization	205,066	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	(44,273)	(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	158,531	28,678
Net cash provided by operating activities	54,633	36,226
Cash flows from investing activities:		
Acquired cash balance, net	—	11,401
Net capital additions	(130,658)	(189,234)
Net proceeds from sales of investments and other assets	1,246	2,154
Net cash used in investing activities	(129,412)	(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) Organization and Basis of Financial Reporting; Chapter 11 Cases

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 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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 issued and the Company subsequently assumed $551 million of $13^{1}/_{8}$% 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").

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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.

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 13 1/8% 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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.

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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

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 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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.

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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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.

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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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.

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

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.

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 carryfrowards 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

Financial Reporting in Reorganization

As a result of the defaults described in this note 1, 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.

(2) 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) Accounting Policies (Continued)

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 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) Accounting Policies (Continued)

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.

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) Accounting Policies (Continued)

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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) 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 the Interest Topic of the ASC.

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) Accounting Policies (Continued)

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.

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 $83.1 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)

(2) 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) 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.

(3) 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(3) 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.

(4) 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.

(5) 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(5) Acquisitions and Dispositions (Continued)

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;
- 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(5) 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)

(6) Income Taxes

For the three months and nine months ended September 30, 2009, the Company recorded an income tax benefit of $40.1 million and $57.0 million, respectively, resulting in an effective tax rate of 34.2% and 35.4%, 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(6) Income Taxes (Continued)

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, 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 $457.6 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 5) 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 1 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.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(7) 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. 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.

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 1.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(7) Interest Rate Swap Agreements (Continued)

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

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(7) Interest Rate Swap Agreements (Continued)

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

(8) 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.

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(8) Long Term Debt (Continued)

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 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 1.

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(8) Long Term Debt (Continued)

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 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(8) Long Term Debt (Continued)

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 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 $13^{1}/_{8}$% 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(8) Long Term Debt (Continued)

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. 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 $13\frac{1}{8}\%$, 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(8) Long Term Debt (Continued)

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.

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 1.

(9) 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(9) Employee Benefit Plans (Continued)

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 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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(9) Employee Benefit Plans (Continued)

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. 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.

(10) 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)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(10) Accumulated Other Comprehensive Loss (Continued)

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.

(11) 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 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.

(12) 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 September 30, 2009, there were 90,015,551 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)

(13) 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.

(14) 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,

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(14) Fair Value Measurements (Continued)

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 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 swap agreements(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 7 for more information.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(15) 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.

(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 1.

(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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(15) Commitments and Contingencies (Continued)

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.

(16) Subsequent Events

The Company has evaluated subsequent events through November 20, 2009, the date that the financial statements were issued.

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.

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 1.

Default Under the Company's Outstanding Debt Instruments

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

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(16) Subsequent Events (Continued)

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 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 1 for further discussion.

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

The following discussion should be read in conjunction with the financial statements of the Company and the notes thereto. 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 1 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 1 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 1 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 1 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	2008	2009	2008	2009	2008	2009	2008
Revenue Source:								
Local calling services	$ 103,520	$ 143,415	$ 358,569	$ 425,181	39%	44%	41%	44%
Access	89,573	94,094	285,126	274,514	33%	29%	32%	29%
Long distance services	36,517	50,161	116,646	140,518	14%	15%	13%	15%
Data and Internet services	26,402	32,873	83,869	85,445	10%	10%	10%	9%
Other services	12,272	7,712	35,315	29,701	4%	2%	4%	3%
Total	$ 268,284	$ 328,255	$ 879,525	$ 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	% of Revenues	2008	% of Revenues
Revenues	$ 268,284	100%	$ 328,255	100%
Operating expenses				
Cost of services and sales	128,550	48	152,579	46
Selling, general and administrative	120,391	45	104,679	32
Depreciation and amortization	68,570	26	60,768	19
Total operating expenses	317,511	119	318,026	97
Income from operations	(49,227)	(19)	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	(117,423)	(44)	(42,285)	(13)
Income tax (expense) benefit	40,120	15	17,176	5
Net income (loss)	$ (77,303)	(29)%	$ (25,109)	(8)%

Revenues decreased $60.0 million to $268.3 million in the third quarter of 2009 compared to 2008, of which $6.3 million is attributable to adjustments recorded in the three months ended September 30, 2009 that relate to prior periods and $19.4 million is due to service quality assessments incurred in the northern New England states. Excluding this $25.7 million 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 $39.9 million to $103.5 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 $2.9 million reduction of revenue recorded in the three months ended September 30, 2009 that relate to prior periods coupled with a 9.3% 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 decreased $4.5 million to $89.6 million during the third quarter of 2009 compared to the same period in 2008. This decrease consisted of a $8.9 million decrease in interstate access revenues, reflecting a $1.8 million reduction of revenue recorded in the three months ended September 30, 2009 that relate to prior periods, the impact of access line loss and technology substitution as well as weakness of the economy, partially offset by a $4.4 million increase in intrastate revenues.

Long distance services. Long distance services revenues decreased $13.6 million to $36.5 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 coupled with a $0.5 million reduction of revenue recorded in the three months ended September 30, 2009 that relate to prior periods, 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 $6.5 million to $26.4 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 and a $1.1 million reduction of revenue recorded in the three months ended September 30, 2009 that relate to prior periods.

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 $24.0 million to $128.6 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 $15.7 million to $120.4 million in the third quarter of 2009 compared to the same period in 2008. The increase is primarily related to a $20.5 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 $7.8 million to $68.6 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 $3.2 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 34.2% benefit and 40.6% benefit, respectively.

Net income (loss). Net loss for the three months ended September 30, 2009 was $77.3 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	% of Revenues	2008	% of Revenues
Revenues	$ 879,525	100%	$ 955,359	100%
Operating expenses				
Cost of services and sales	396,404	45	422,316	44
Selling, general and administrative	310,789	35	270,085	29
Depreciation and amortization	205,066	23	184,434	19
Total operating expenses	912,259	103	876,835	92
Income from operations	(32,734)	(3)	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	16,071	2	3,415	—
Income (loss) before income taxes	(160,873)	(18)	10,738	1
Income tax (expense) benefit	56,975	6	(3,190)	—
Net income (loss)	$ (103,898)	(12)%	$ 7,548	1%

Revenues decreased $75.8 million to $879.5 million in 2009 compared to 2008. The acquisition of Legacy FairPoint contributed $184.2 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 $128.2 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 $66.6 million to $358.6 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 $79.4 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 a 9.3% 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 $10.6 million to $285.1 million during the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $68.9 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 $11.3 million. Of this decrease, $12.0 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 $0.7 million increase in intrastate revenues.

Long distance services. Long distance services revenues decreased $23.9 million to $116.6 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 $29.0 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 $25.9 million to $396.4 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 $13.0 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 $20.6 million to $205.1 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 $20.3 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 $12.7 million to $16.1 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 $15.0 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 35.4% benefit and 29.7% expense, respectively.

Net income (loss). Net loss for the nine months ended September 30, 2009 was ($103.9) 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 $83.1 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 1 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 1 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 $54.6 million and $36.2 million for the nine months ended September 30, 2009 and 2008, respectively.

Net cash used in investing activities was $129.4 million and $175.7 million for the nine months ended September 30, 2009 and 2008, respectively. These cash flows primarily reflect capital expenditures of $130.7 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.

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 1 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 7 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 1 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 13 1/8% 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 13 1/8%, 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 1 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)	$ 2,515,446	$ 45,000	$ 117,450	$ 395,625	$ 1,957,371
Interest payments on long term debt obligations(b)	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 8 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 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)	$ (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 7 to the condensed consolidated financial statements for more information.

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 8 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.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act). Disclosure controls and procedures are controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by

the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (i) are effective to ensure that information required to be disclosed by us in this Quarterly Report has been recorded, processed, summarized and reported within the time periods specified in the rules of the SEC and (ii) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

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.

Our preliminary evaluation of these newly developed internal controls has identified a number of exceptions in the areas of IT access and security where controls are not yet functioning as intended. Based on the nature and magnitude of these exceptions and mitigating controls that are in place, management does not believe these exceptions have a material adverse impact on our internal control over financial reporting. We will continue to assess the effectiveness of the controls and identify any remediation efforts which may be required to enhance the effectiveness of controls.

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.

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 1 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.

(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 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.

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 his capacity as the Registrant's Executive Vice President and Chief Financial Officer (Principal Financial Officer).

FAIRPOINT
COMMUNICATIONS, INC.

Date: November 20, 2009

By: /s/ ALFRED C. GIAMMARINO

Name: Alfred C. Giammarino

Title: *Executive Vice President and 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 11 7/8% 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 13 1/8% 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 13 1/8% 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.*
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.*
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.*

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.*
10.10	Amended and Restated Tax Sharing Agreement, dated as of November 9, 2000, by and among FairPoint and its Subsidiaries.(16)
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).(17)
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.(27)
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 Quarterly Report on Form 10-Q of FairPoint for the period ended March 31, 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 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 10.6

EXECUTION COPY

DEBTOR-IN-POSSESSION CREDIT AGREEMENT

among

FAIRPOINT COMMUNICATIONS, INC.,
FAIRPOINT LOGISTICS, INC.,
as BORROWERS and as DEBTORS and DEBTORS-IN-POSSESSION,

VARIOUS LENDING INSTITUTIONS,
as LENDERS,

and

BANK OF AMERICA, N.A.,
as ADMINISTRATIVE AGENT

Dated as of October 27, 2009

BANC OF AMERICA SECURITIES LLC,
as SOLE LEAD ARRANGER

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DEBTOR-IN-POSSESSION CREDIT AGREEMENT, dated as of October 27, 2009, among FAIRPOINT COMMUNICATIONS, INC., a Delaware corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code (as hereinafter defined)("FairPoint"), FAIRPOINT LOGISTICS, INC., a South Dakota corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code ("Logistics"; Logistics, together with FairPoint, each a "Borrower" and, collectively, the "Borrowers"), the Lenders from time to time party hereto, and BANK OF AMERICA, N.A., as Administrative Agent (in such capacity, together with any successor administrative agent, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, FairPoint, certain of the Subsidiary Guarantors, certain lenders (the "Prepetition Lenders"), Bank of America, N.A., as administrative agent for such lenders (the "Prepetition Administrative Agent"), and certain other Persons (as hereinafter defined), are parties to a Credit Agreement, dated as of March 31, 2008, as amended (as so amended, the "Prepetition Credit Agreement"), pursuant to which the Prepetition Lenders agreed, subject to the terms and conditions therein contained, to make available to FairPoint certain credit facilities as provided for therein;

WHEREAS, on October 26, 2009 (the "Petition Date"), each of the Borrowers, the Subsidiary Guarantors and their Subsidiaries has filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and has continued in the possession of its assets and in the management of its business pursuant to Sections 1107 and 1108 of the Bankruptcy Code, and such reorganization cases are being jointly administered under Case Number 09-16335-brl (each a "Chapter 11 Case" and, collectively, the "Chapter 11 Cases");

WHEREAS, the Borrowers have requested the Lenders to make available to the Borrowers a debtor-in-possession revolving line of credit for loans and letters of credit in an aggregate amount not to exceed $75,000,000, including a letter of credit subfacility in the aggregate amount of $30,000,000, which extensions of credit the Borrowers may use for the purposes permitted hereunder; and

WHEREAS, subject to and upon the terms and conditions set forth herein, the Lenders are willing to make available to the Borrowers the revolving credit facility provided for herein;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. Amount and Terms of Credit.

1.01 Commitments. Subject to and upon the terms and conditions set forth in this Agreement and the Financing Orders, each Lender severally, and not jointly, agrees, upon a Borrower's request, at any time and from time to time on any Business Day during the period from the Closing Date and prior to the Termination Date, to make and/or continue a loan or loans (each, a "Loan" and, collectively, the "Loans") to such Borrower in amounts not to exceed (giving effect to any incurrence thereof and the use of the proceeds of such incurrence) for any Lender in aggregate principal amount at any time outstanding that amount which, when added to

such Lender's Percentage of the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Loans) at such time, equals the Available Revolving Commitment, if any, of such Lender at such time. Within the limits of each Lender's Available Revolving Commitment, and subject to the other terms and conditions hereof, the Borrowers' ability to obtain loans shall be fully revolving, and accordingly, the Borrowers may borrow under this Section 1.01, prepay, without premium or penalty (except as provided in Section 1.11), under Section 3.01 and reborrow under this Section 1.01. Loans may be Base Rate Loans or Eurodollar Loans, as further provided herein.

1.02 Minimum Borrowing Amounts, etc. The aggregate principal amount of each Borrowing shall not be less than the Minimum Borrowing Amount. More than one Borrowing may be incurred on any day; provided that at no time shall there be outstanding more than three (3) Borrowings of Eurodollar Loans.

1.03 Notice of Borrowing. (a) Whenever a Borrower desires to incur Loans, it shall give the Administrative Agent at its Notice Office, (x) prior to 12:00 Noon (New York time), at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each proposed incurrence of Eurodollar Loans and (y) prior to 12:00 Noon (New York time) on the proposed date thereof, written notice (or telephonic notice promptly confirmed in writing) of each proposed incurrence of Base Rate Loans. Each such notice (each, a "Notice of Borrowing") shall be in the form of Exhibit A and shall be irrevocable and shall specify (i) the aggregate principal amount of the Loans to be made pursuant to such incurrence, (ii) the date of incurrence (which shall be a Business Day) and (iii) whether the respective Borrowing shall consist of Base Rate Loans or Eurodollar Loans. The Administrative Agent shall promptly give each Lender written notice (or telephonic notice promptly confirmed in writing) of each proposed incurrence of Loans of such Lender's proportionate share thereof and of the other matters covered by the Notice of Borrowing.

(b) Without in any way limiting the obligation of the Borrowers to confirm in writing any telephonic notice permitted to be given hereunder, the Administrative Agent and any Letter of Credit Issuer, prior to receipt of written confirmation may act without liability upon the basis of and consistent with such telephonic notice, believed by the Administrative Agent or such Letter of Credit Issuer, as the case may be, in good faith to be from an Authorized Officer. In each such case, the Borrowers hereby waive the right to dispute the Administrative Agent's or such Letter of Credit Issuer's record of the terms of such telephonic notice, unless such record reflects gross negligence or willful misconduct on the part of the Administrative Agent or such Letter of Credit Issuer, as the case may be (as determined by a court of competent jurisdiction in a final and nonappealable decision).

1.04 Disbursement of Funds. (a) No later than 1:00 P.M. (New York time) (3:00 P.M. (New York time) in the case of Base Rate Loans made pursuant to same day notice) on the date specified in each Notice of Borrowing, each Lender will make available its pro rata share of each Borrowing requested to be made on such date. All such amounts shall be made available to the Administrative Agent in Dollars and immediately available funds at the Payment Office, and the Administrative Agent promptly will make available to the Borrowers by depositing to a Borrower's account at the Payment Office or as otherwise directed in the

applicable Notice of Borrowing the aggregate of the amounts so made available in the type of funds received. Unless the Administrative Agent shall have been notified by any Lender prior to the date of the proposed incurrence that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrowers a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made available same to the Borrowers, the Administrative Agent shall be entitled to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may notify the Borrowers, and, upon receipt of such notice, the Borrowers shall promptly pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover on demand from such Lender or the Borrowers, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrowers to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (x) if paid by such Lender, the overnight Federal Funds Effective Rate or (y) if paid by the Borrowers, the then applicable rate of interest, calculated in accordance with Section 1.08, for the respective Loans.

(b) Nothing in this Section 1.04 shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights which the Borrowers may have against any Lender as a result of any default by such Lender hereunder.

1.05 Notes. (a) The Borrowers' obligation to pay the principal of, and interest on, the Loans made by each Lender shall be set forth in the Lender Register maintained by the Administrative Agent pursuant to Section 11.15 and, subject to the provisions of Section 1.05(d), shall be evidenced (if requested by Lenders) by a promissory note substantially in the form of Exhibit B with blanks appropriately completed in conformity herewith (each, a "Note" and, collectively, the "Notes").

(b) Each Note, if any, issued to a Lender shall (i) be executed by the Borrowers, (ii) be payable to the order of such Lender and be dated the Closing Date (or, in the case of any Note issued after the Closing Date, the date of issuance thereof), (iii) be in a stated principal amount equal to the Revolving Commitment of such Lender and be payable in the principal amount of the Loans evidenced thereby, (iv) mature on the Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to mandatory repayment as provided in Section 3.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Lender will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will, prior to any transfer of any of its Notes, endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make (or any error in making) any such notation shall not affect the Borrowers' obligations in respect of such Loans.

(d) Notwithstanding anything to the contrary contained above or elsewhere in this Agreement, Notes shall only be delivered to Lenders that at any time specifically request the delivery of such Notes. No failure of any Lender to request or obtain a Note evidencing its Loans to the Borrowers shall affect or in any manner impair the obligations of the Borrowers to pay the Loans (and all related Obligations) which would otherwise be evidenced thereby in accordance with the requirements of this Agreement, and shall not in any way affect the security or guaranties therefor provided pursuant to the various Credit Documents. Any Lender that does not have a Note evidencing its outstanding Loans shall in no event be required to make the notations otherwise described in preceding clause (c). At any time when any Lender requests the delivery of a Note to evidence any of its Loans, the Borrowers shall promptly execute and deliver to the respective Lender the requested Note or Notes in the appropriate amount or amounts to evidence such Loans.

1.06 Conversions/Continuations. The Borrowers shall have the option to convert on any Business Day all or a portion at least equal to the applicable Minimum Borrowing Amount of the outstanding principal amount of the Loans into a Borrowing or Borrowings of another Type of Loan; provided that (i) no partial conversion of a Borrowing of Eurodollar Loans shall reduce the outstanding principal amount of the Eurodollar Loans made pursuant to such Borrowing to less than the Minimum Borrowing Amount applicable thereto, (ii) Base Rate Loans may not be converted into Eurodollar Loans when a Default or an Event of Default is in existence on the date of the proposed conversion and (iii) Borrowings of Eurodollar Loans resulting from this Section 1.06 shall be limited in number as provided in Section 1.02. In addition, the Borrowers may elect to continue a Borrowing of Eurodollar Loan as a Eurodollar Loan. Each such conversion or continuation, as the case may be, shall be effected by the Borrowers giving the Administrative Agent at its Notice Office, prior to 12:00 Noon (New York time), at least three Business Days' (or one Business Day's, in the case of a conversion into Base Rate Loans) prior written notice (or telephonic notice promptly confirmed in writing) (each, a "Notice of Conversion/Continuation") in the form of Exhibit C, appropriately completed to specify the Loans to be so converted or continued (as the case may be) and the Type of Loans to be converted into. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion affecting any of its Loans.

1.07 Pro Rata Borrowings. All Loans under this Agreement shall be made by the Lenders pro rata on the basis of their Revolving Commitments. It is understood that no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder.

1.08 Interest. (a) The unpaid principal amount of each Base Rate Loan shall bear interest from the date of the Borrowing thereof until the earlier of repayment or conversion thereof and maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times be the Base Rate Margin plus the Base Rate in effect from time to time.

(b) The unpaid principal amount of each Eurodollar Loan shall bear interest from the date of the Borrowing thereof until the earlier of repayment or conversion thereof and maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times be the Eurodollar Margin plus the relevant Eurodollar Rate.

(c) If any Event of Default occurs and is continuing and the Administrative Agent or the Required Lenders so elect, then, while any such Event of Default is continuing, all of the applicable Obligations shall bear interest at the Default Rate applicable thereto.

(d) Interest shall accrue from and including the date of any Borrowing 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 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.

(e) All computations of interest hereunder shall be made in accordance with Section 11.07(b).

(f) The Administrative Agent, upon determining the interest rate for any Borrowing of Eurodollar Loans for any Interest Period shall promptly notify the Borrowers and, upon their written request, the Lenders thereof; provided that a failure to give such notice shall not result in any liability to the Administrative Agent.

1.09 Interest Periods. (a) Each Interest Period applicable to a Borrowing of Eurodollar Loans shall be a one month period. Notwithstanding the foregoing:

(i) the initial Interest Period for any Borrowing of Eurodollar Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of Base Rate Loans) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the immediately preceding Interest Period expires;

(ii) if any Interest Period begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided that if any Interest Period would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;

(iv) no Interest Period shall extend beyond the Maturity Date; and

(v) no Eurodollar Loans may be elected at any time when a Default or an Event of Default is then in existence.

(b) If upon the expiration of any Interest Period, the Borrowers have failed to (or may not) elect to continue the respective Borrowing of Eurodollar Loans as a Eurodollar Loan as provided above, the Borrowers shall be deemed to have elected to convert such Borrowing into a Borrowing of Base Rate Loans effective as of such expiration.

1.10 Increased Costs, Illegality, etc. (a) In the event that (x) in the case of clause (i) below, the Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the Eurodollar Rate for any Interest Period that, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate or the making or continuance of any Eurodollar Loan has become impracticable as a result of a contingency occurring after the Closing Date;

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loans because of (x) any change since the Closing Date in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or order) (including, but not limited to, a change in the basis of taxation of payments to a Lender of the principal of or interest on the Loans or any other amounts payable hereunder (except for (i) changes in the rate of tax on, or determined by reference to, the net income or net profits of such Lender imposed by the jurisdiction in which its principal office or applicable lending office is located and (ii) any taxes for which the Borrowers are not liable to pay under Section 3.04) or a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate) and/or (y) other circumstances affecting the interbank Eurodollar market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender in good faith with any law, governmental rule, regulation, guideline or order (or would conflict with any such governmental rule, regulation, guideline or order not having the force of law but with which such Lender customarily complies even though the failure to comply therewith would not be unlawful);

then, and in any such event, such Lender (or the Administrative Agent in the case of clause (i) above) shall (x) on such date and (y) within ten Business Days of the date on which such event no longer exists give notice (by telephone confirmed in writing) to the Borrowers and to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion/Continuation given by the Borrowers with respect to Eurodollar Loans which have not yet been incurred shall be deemed rescinded by the Borrowers, (y) in the case of clause (ii) above, the Borrowers shall pay to such Lender, within 10 Business Days after the Borrowers' receipt of written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its reasonable discretion shall determine after consultation with the Borrowers) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (a written notice as to the additional amounts owed to such Lender, describing the basis for such increased costs and showing the calculation thereof, submitted to the Borrowers by such Lender

shall, absent manifest error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the Borrowers shall take one of the actions specified in Section 1.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan is affected by the circumstances described in Section 1.10(a)(ii), the Borrowers may (and in the case of a Eurodollar Loan affected pursuant to Section 1.10(a)(iii), the Borrowers shall within the time period required by law) either (x) if the affected Eurodollar Loan is then being made pursuant to a Borrowing, cancel said Borrowing by giving the Administrative Agent telephonic notice (confirmed promptly in writing) thereof on the same date that the Borrowers were notified by a Lender pursuant to Section 1.10(a)(ii) or (iii), or (y) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' notice to the Administrative Agent, require the affected Lender to convert each such Eurodollar Loan into a Base Rate Loan (which conversion, in the case of the circumstances described in Section 1.10(a)(iii), shall occur no later than the last day of the Interest Period then applicable to such Eurodollar Loan (or such earlier date as shall be required by applicable law)); provided, that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 1.10(b).

(c) If any Lender shall have determined that the adoption or effectiveness of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, in each case after the Closing Date, or compliance by such Lender or its parent corporation with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency first made after the Closing Date, has or would have the effect of reducing the rate of return on such Lender's or its parent corporation's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender or its parent corporation could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or its parent corporation's policies with respect to capital adequacy), then from time to time, within 10 Business Days after demand by such Lender (with a copy to the Administrative Agent), the Borrowers shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent corporation for such reduction. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this Section 1.10(c), will give prompt written notice thereof to the Borrowers, which notice shall describe the basis for such claim and set forth in reasonable detail the calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of the Borrowers' obligations to pay additional amounts pursuant to this Section 1.10(c) upon the subsequent receipt of such notice.

1.11 Compensation. (a) The Borrowers shall, without duplication, compensate each Lender, upon its written request (which request shall set forth the basis for requesting such compensation and reasonably detailed calculations thereof), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Loans but excluding in any event the loss of anticipated profits) which such Lender may sustain: (i) if for any reason (other than a default by any Lender

or the Administrative Agent) a Borrowing of Eurodollar Loans by any Borrower does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation (whether or not withdrawn by the Borrowers or deemed withdrawn pursuant to Section 1.10(a)); (ii) if any prepayment, repayment or conversion of any of its Eurodollar Loans occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Eurodollar Loans is not made on any date specified in a notice of prepayment given by the Borrowers; or (iv) as a consequence of (x) any other default by the Borrowers to repay Eurodollar Loans when required by the terms of this Agreement or (y) an election made pursuant to Section 1.10(b).

(b) Notwithstanding anything in this Agreement to the contrary, to the extent any notice or request required by Section 1.10, 1.11, 1A.06 or 3.04 of this Agreement is given by any Lender more than 120 days after such Lender obtained, or reasonably should have obtained, knowledge of the occurrence of the event giving rise to the additional costs, reductions in amounts, losses, taxes or other additional amounts of the type described in such Section, such Lender shall not be entitled to compensation under Section 1.10, 1.11, 1A.06 or 3.04 of this Agreement for any amounts incurred or accruing prior to the giving of such notice to the Borrowers.

1.12 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), 1.10(c), 1A.06 or 3.04 with respect to such Lender, it will, if requested by the Borrowers, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event; provided that such designation is made on such terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this Section 1.12 shall affect or postpone any of the obligations of the Borrowers or the right of any Lender provided in Section 1.10, 1A.06 or 3.04.

1.13 Replacement of Lenders. (x) Upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c), Section 1A.06 or Section 3.04 with respect to any Lender which results in such Lender charging to the Borrowers increased costs in a material amount in excess of those being generally charged by the other Lenders, (y) if any Lender becomes a Defaulting Lender or (z) in the case of a refusal by a Lender to consent to a proposed change, waiver, discharge or termination of or to any of the provisions of this Agreement as contemplated by clauses (i) through (vii), inclusive, of the first proviso to Section 11.11(a) of this Agreement which has been approved by the Super-Majority Lenders as provided in Section 11.11(b), the Borrowers shall have the right in accordance with Section 11.04(b), if no Default or Event of Default then exists or would exist after giving effect to such replacement, to replace such Lender (the "Replaced Lender") with one or more other Eligible Transferee or Eligible Transferees, none of whom shall constitute a Defaulting Lender at the time of such replacement (collectively, the "Replacement Lender") and each of which shall be reasonably acceptable to the Administrative Agent or, at the option of the Borrowers, and subject to the consent of the Administrative Agent, not to be unreasonably withheld, to replace the Revolving Commitment (and outstandings pursuant thereto) of the Replaced Lender with an identical Revolving Commitment provided by the Replacement Lender; provided that:

(i) at the time of any replacement pursuant to this Section 1.13, the Replacement Lender shall enter into one or more Assignment Agreements pursuant to Section 11.04(b) (and with all fees payable pursuant to said Section 11.04(b) to be paid by the Replacement Lender and/or the Replaced Lender (as agreed between them)) pursuant to which the Replacement Lender shall acquire all of the Revolving Commitments and outstanding Loans and participations in Letter of Credit Outstandings of the Replaced Lender and, in connection therewith, shall pay to (x) the Replaced Lender in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued interest on, all outstanding Loans (of the Replaced Lender, (B) an amount equal to all Unpaid Drawings (unless there are no Unpaid Drawings) that have been funded by (and not reimbursed to) such Replaced Lender, together with all then unpaid interest with respect thereto at such time and (C) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Lender pursuant to Section 2.01 and, (y) each Letter of Credit Issuer an amount equal to such Replaced Lender's Percentage of any Unpaid Drawing relating to Letters of Credit issued by such Letter of Credit Issuer (which at such time remains an Unpaid Drawing) to the extent such amount was not theretofore funded by such Replaced Lender; and

(ii) all obligations of the Borrowers then owing to the Replaced Lender (other than those (a) specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid, but including all amounts, if any, owing under Section 1.11 or (b) relating to the Loans and/or Revolving Commitments of the respective Replaced Lender which will remain outstanding after giving effect to the respective replacement) shall be paid in full to such Replaced Lender concurrently with such replacement.

Upon the execution of the respective Assignment Agreements, the payment of amounts referred to in clauses (i) and (ii) above, recordation of the assignment on the Lender Register by the Administrative Agent pursuant to Section 11.15 and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Note or Notes executed by the Borrowers, (x) the Replacement Lender shall become a Lender hereunder and, unless the respective Replaced Lender continues to have a Revolving Commitment hereunder, the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 1.10, 1.11, 1A.06, 3.04, 11.01 and 11.06), which shall survive as to such Replaced Lender and (y) the Percentages of the Lenders shall be automatically adjusted at such time to give effect to such replacement.

1.14 Joint and Several Liability. Each of the Borrowers shall be jointly and severally liable with the other Borrower(s) for the Obligations, and each of the Obligations shall be secured by all of the Collateral. Each Borrower acknowledges that it is a co-borrower hereunder and is jointly and severally liable under this Agreement and the other Credit Documents. Any payment made by a Borrower in respect of Obligations owing by one or more Borrowers shall be deemed a payment of such Obligations by and on behalf of all Borrowers. All Credit Events extended to any Borrower or requested by any Borrower shall be deemed to be Credit Events extended for each of the Borrowers, and each Borrower hereby authorizes each other Borrower to effectuate Credit Events on its behalf. Notwithstanding anything to the contrary contained in this Agreement or any of the other Credit Documents, the Administrative Agent and the Lenders shall be entitled to rely upon any request, notice or other communication

received by them from any Borrower on behalf of all Borrowers, and shall be entitled to treat their giving of any notice hereunder to FairPoint in accordance with the provisions of this Agreement as notice to each and all Borrowers.

Each Borrower agrees that the joint and several liability of the Borrowers provided for in this Section 1.14 shall not be impaired or affected by any modification, supplement, extension or amendment or any contract or agreement to which the other Borrower(s) may hereafter agree (other than an agreement signed by the Administrative Agent and the Lenders specifically releasing such liability), nor by any delay, extension of time, renewal, compromise or other indulgence granted by the Administrative Agent or any Lender with respect to any of the Obligations, nor by any other agreements or arrangements whatsoever with the other Borrower(s) or with any other person, each Borrower hereby waiving all notice of such delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consenting to be bound thereby as fully and effectually as if it had expressly agreed thereto in advance. The liability of each Borrower is direct and unconditional as to all of the Obligations, and may be enforced without requiring the Administrative Agent or any Lender first to resort to any other right, remedy or security. Each Borrower hereby expressly waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations, the Notes, this Agreement or any other Credit Document and any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Borrower or any other person or any collateral.

Until the Termination of the DIP Financing, each Borrower hereby irrevocably waives and releases each other Borrower from all "claims" (as defined in Section 101(5) of the Bankruptcy Code) to which such Borrower is or would be entitled by virtue of the provisions of the first paragraph of this Section 1.14 or the performance of such Borrower's obligations thereunder including, without limitation, any right of subrogation (whether contractual, under Section 509 of the Bankruptcy Code or otherwise), reimbursement, contribution, exoneration or similar right, or indemnity, or any right of recourse to security for any of the Obligations.

SECTION 1A. Letters of Credit.

1A.01 Letters of Credit. (a) Subject to and upon the terms and conditions set forth in this Agreement and the Financing Orders, the Borrowers may request that a Letter of Credit Issuer, at any time and from time to time on or after the Closing Date and prior to the date which is thirty Business Days prior to the Maturity Date, issue, for the account of the Borrowers and in support of such obligations of the Borrowers and/or their Subsidiaries that are incurred in the ordinary course of business or are acceptable to the Administrative Agent and, subject to and upon the terms and conditions herein set forth, such Letter of Credit Issuer agrees to issue from time to time, irrevocable standby letters of credit (each such letter of credit, a "Letter of Credit" and, collectively, the "Letters of Credit") denominated in Dollars and issued on a sight basis, in such form as may be approved by such Letter of Credit Issuer and the Administrative Agent.

(b) Notwithstanding the foregoing and subject to and upon the terms and conditions set forth in the Financing Orders, (i) no Letter of Credit shall be issued if after giving effect thereto (x) the Letter of Credit Outstandings would exceed $30,000,000 or (y) the sum of

all Letter of Credit Outstandings (less any portion thereof subject to Section 1A.01(c) Arrangements) and the aggregate principal amount of all Loans then outstanding would exceed the Total Revolving Commitment at such time, (ii) no Letter of Credit shall by its terms expire more than 364 days after the date of such Letter of Credit's issuance and (iii) no Letter of Credit Issuer shall be under any obligation to issue any Letter of Credit of the types described above if at the time of such issuance:

(w) any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms to enjoin or restrain such Letter of Credit Issuer from issuing such Letter of Credit or any requirement of law applicable to such Letter of Credit Issuer or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Letter of Credit Issuer shall prohibit, or request that such Letter of Credit Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Letter of Credit Issuer is not otherwise compensated under Section 1A.06) not in effect with respect to such Letter of Credit Issuer on the Closing Date, or any unreimbursed loss, cost or expense which was not applicable or in effect with respect to such Letter of Credit Issuer as of the date hereof and which such Letter of Credit Issuer in good faith deems material to it;

(x) the issuance of such Letter of Credit would violate one or more policies of the Letter of Credit Issuer applicable to letters of credit generally;

(y) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(z) such Letter of Credit Issuer shall have received from the Borrowers, any other Credit Party, the Administrative Agent or the Required Lenders prior to the issuance of such Letter of Credit notice of the type described in the second sentence of Section 1A.03(c).

(c) Notwithstanding the foregoing, in the event that (i) a Lender Default exists or (ii) any Letter of Credit Issuer determines in good faith or obtains actual knowledge that any Lender is an Impacted Lender, the respective Letter of Credit Issuer shall not be required to issue any Letter of Credit unless arrangements satisfactory to the respective Letter of Credit Issuer shall have been entered into ("Section 1 A.01(c) Arrangements") to eliminate such Letter of Credit Issuer's risk with respect to the participation in Letters of Credit of such Defaulting Lender or Impacted Lender or Lenders, which may include requiring the Borrowers to cash collateralize each Defaulting Lender's or Impacted Lender's Percentage of the Letter of Credit Outstandings; provided, that, if at any time a Lender is deemed to no longer be an Impacted Lender in accordance with Section 11.17(a), any cash collateral provided by the Borrowers to collateralize such Lender's Percentage of the Letter of Credit Outstandings shall be released by each applicable Letter of Credit Issuer and returned to the Borrowers.

(d) Annex VII hereto contains a description of certain letters of credit issued pursuant to the Prepetition Credit Agreement and outstanding on the Closing Date. Each such

letter of credit (each, an "Existing Letter of Credit") may, at the Borrowers' option be replaced by a Letter of Credit issued under this Agreement (provided, however, it shall be a condition precedent to the issuance of any such replacement Letter of Credit that each such replaced Existing Letter of Credit shall be cancelled in a manner satisfactory to the Letter of Credit Issuer, unless such replaced Existing Letter of Credit expires, undrawn, simultaneously with the issuance of the replacement Letter of Credit issued hereunder).

1A.02 Minimum Stated Amount. The initial Stated Amount of each Letter of Credit shall be not less than $100,000 or such lesser amount as is acceptable to the respective Letter of Credit Issuer.

1A.03 Letter of Credit Requests; Notices of Issuance. (a) Whenever it desires that a Letter of Credit be issued, the applicable Borrower shall give the Administrative Agent and the respective Letter of Credit Issuer written notice (which may include by way of facsimile transmission) in the form of a Letter of Credit Application prior to 1:00 P.M. (New York time) at least three Business Days (or such shorter period as may be acceptable to such Letter of Credit Issuer in any given case) prior to the proposed date of issuance (which shall be a Business Day), which Letter of Credit Application shall include any documents that. such Letter of Credit Issuer customarily requires in connection therewith.

(b) Each Letter of Credit Issuer shall, promptly after the issuance of, or amendment to, a Letter of Credit, give the Administrative Agent and the Borrowers a copy of such Letter of Credit or such amendment, as the case may be. The Administrative Agent shall notify each Participant, including by posting such information on the Approved Electronic Platform, of such issuance or amendment and if any Participant shall so request, the Administrative Agent shall furnish said Participant with a copy of such Letter of Credit or such amendment, as the case may be.

(c) The giving of a Letter of Credit Application shall be deemed to be a representation and warranty by the Borrowers to the respective Letter of Credit Issuer and the Lenders that such Letter of Credit may be issued or amended in accordance with, and will not violate the requirements of, Section 1A.01(a) or (b). Unless the respective Letter of Credit Issuer has received notice from the Borrowers, any other Credit Party, the Administrative Agent or the Required Lenders before it issues or amends a Letter of Credit that one or more of the conditions specified in Section 4 are not then satisfied, or that the issuance or amendment of such Letter of Credit would violate Section 1A.01(a) or (b), then such Letter of Credit Issuer shall, subject to the terms and conditions of this Agreement, issue or amend the requested Letter of Credit for the account of the Borrowers in accordance with such Letter of Credit Issuer's usual and customary practices.

1A.04 Agreement to Repay Letter of Credit Drawings. (a) The Borrowers hereby agree, jointly and severally, to reimburse the respective Letter of Credit Issuer, by making payment to the Administrative Agent at the Payment Office, for any payment or disbursement made by such Letter of Credit Issuer under any Letter of Credit (each such amount so paid or disbursed until reimbursed, an "Unpaid Drawing") on the date on which the Borrowers are notified by such Letter of Credit Issuer of such payment or disbursement with interest on the amount so paid or disbursed by such Letter of Credit Issuer. To the extent not reimbursed prior

to 3:00 P.M. (New York time) on the date of such payment or disbursement, the Borrowers shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on such date in an amount equal to the Unpaid Drawing, without regard to the minimum and multiples specified in Section 1.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Total Revolving Commitment.

(b) The Borrowers' obligation under this Section 1A.04 to reimburse the respective Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrowers may have or have had against any Letter of Credit Issuer, the Administrative Agent or any Lender, including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such drawing; provided, however, that the Borrowers shall not be obligated to reimburse such Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer as determined by a final judgment issued by a court of competent jurisdiction.

1A.05 Letter of Credit Participations. (a) Immediately upon the issuance by any Letter of Credit Issuer of any Letter of Credit, such Letter of Credit Issuer shall be deemed to have sold and transferred to each other Lender, and each such Lender (each, a "Participant") shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Participant's Percentage, in such Letter of Credit, each substitute letter of credit, each drawing made thereunder and the obligations of the Borrowers under this Agreement with respect thereto (although the Letter of Credit Fee shall be payable directly to the Administrative Agent for the account of the Lenders as provided in Section 2.01(b) and the Participants shall have no right to receive any portion of any Facing Fees) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Commitments pursuant to Section 1.13 or 11.04(b), it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic adjustment to the participations pursuant to this Section 1A.05 to reflect the new Percentages of the Lenders.

(b) In determining whether to pay under any Letter of Credit, the applicable Letter of Credit Issuer shall not have any obligation relative to the Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Letter of Credit Issuer under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct as determined by a final judgment issued by a court of competent jurisdiction shall not create for such Letter of Credit Issuer any resulting liability.

(c) In the event that any Letter of Credit Issuer makes any payment under any Letter of Credit and the Borrowers shall not have reimbursed such amount in full to such Letter of Credit Issuer pursuant to Section 1A.04(a), the Administrative Agent shall promptly notify each Participant of such failure, and each Participant shall promptly and unconditionally pay to

the Administrative Agent for the account of such Letter of Credit Issuer, the amount of such Participant's Percentage of such payment in Dollars and in same day funds; provided, however, that no Participant shall be obligated to pay to the Administrative Agent its Percentage of such unreimbursed amount for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer as determined by a final judgment issued by a court of competent jurisdiction. If the Administrative Agent so notifies any Participant required to fund an Unpaid Drawing under a Letter of Credit prior to 1:00 P.M. (New York time) on any Business Day, such Participant shall make available to the Administrative Agent for the account of the respective Letter of Credit Issuer such Participant's Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such Participant shall not have so made its Percentage of the amount of such Unpaid Drawing available to the Administrative Agent for the account of the respective Letter of Credit Issuer, such Participant agrees to pay to the Administrative Agent for the account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of such Letter of Credit Issuer at the overnight Federal Funds Effective Rate. The failure of any Participant to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its Percentage of any Unpaid Drawing under any Letter of Credit shall not relieve any other Participant of its obligation hereunder to make available to the Administrative Agent for the account of such Letter of Credit Issuer its Percentage of any payment under any Letter of Credit on the date required, as specified above, but no Participant shall be responsible for the failure of any other Participant to make available to the Administrative Agent for the account of such Letter of Credit Issuer such other Participant's Percentage of any such payment.

(d) Whenever any Letter of Credit Issuer, through the Administrative Agent, receives a payment of a reimbursement obligation (including interest on Unpaid Drawings) as to which the Administrative Agent has received for the account of such Letter of Credit Issuer any payments from any Participant pursuant to clause (c) above, the Administrative Agent shall promptly pay to each Participant which has paid its Percentage thereof, in Dollars and in same day funds, an amount equal to such Participant's Percentage of the amount of the payment of such reimbursement obligation, including interest paid thereon to the extent accruing after the purchase of the respective participations.

(e) The obligations of the Participants to make payments to the Administrative Agent for the account of the respective Letter of Credit Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever (provided that no Participant shall be required to make payments resulting from the Administrative Agent's gross negligence or willful misconduct as determined by a final judgment issued by a court of competent jurisdiction) and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrowers or any of their Subsidiaries (or the Participant or any of its Subsidiaries) may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, any Letter of Credit Issuer, any Lender or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between a Borrower and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default or Event of Default.

(f) To the extent the respective Letter of Credit Issuer is not indemnified by the Borrowers, the Participants will reimburse and indemnify such Letter of Credit Issuer, in proportion to their respective Percentages, for and against any and all liabilities, obligations; losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by such Letter of Credit Issuer in performing its respective duties in any way relating to or arising out of its issuance of Letters of Credit; provided that no Participants shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Letter of Credit Issuer's gross negligence or willful misconduct as determined by a final judgment issued by a court of competent jurisdiction.

(g) The Letter of Credit Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Letter of Credit Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Section 10 with respect to any acts taken or omissions suffered by the Letter of Credit Issuer in connection with Letters of Credit issued by it or proposed to be issued by it as fully as if the term "Administrative Agent" as used in Section 10 included the Letter of Credit Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the Letter of Credit Issuer.

(h) Unless otherwise expressly agreed by the Letter of Credit Issuer and the Borrowers, when a Letter of Credit is issued (including any such agreement applicable to an existing Letter of Credit) the rules of the International Standby Practices, as promulgated by the Institute for International Banking Law and Practice and the International Chamber of Commerce at the time of issuance, shall apply to each standby Letter of Credit.

(i) Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrowers shall be obligated to reimburse the Letter of Credit Issuer hereunder for any and all drawings under such

Letter of Credit. Each Borrower hereby acknowledges that the issuance of Letters of Credit for the account of its Subsidiaries inures to the benefit of such Borrower, and that such Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

1A.06 Increased Costs. If at any time after the Closing Date, the adoption or effectiveness of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central lender or comparable agency charged with the interpretation or administration thereof, or compliance by any Letter of Credit Issuer or any Participant with any request or directive (whether or not having the force of law) by any such authority, central lender or comparable agency shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by any Letter of Credit Issuer or such Participant's participation therein, or (ii) impose on any Letter of Credit Issuer or any Participant any other conditions affecting this Agreement, any Letter of Credit or such Participant's participation therein; and the result of any of the foregoing is to increase the cost to any Letter of Credit Issuer or such Participant of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by any Letter of Credit Issuer or such Participant hereunder (other than, in the case of a change in the basis of taxation of payments to a Letter of Credit Issuer or Participant of the principal of or interest on the Loans or any other amounts payable hereunder, changes in the rate of tax on, or determined by reference to, the net income or net profits of such Letter of Credit Issuer or Participant imposed by the jurisdiction in which its principal office or applicable lending office is located), then, upon demand to the Borrowers by any Letter of Credit Issuer or such Participant (a copy of which notice shall be sent by such Letter of Credit Issuer or such Participant to the Administrative Agent), the Borrowers shall pay to such Letter of Credit Issuer or such Participant such additional amount or amounts as will compensate such Letter of Credit Issuer or such Participant for such increased cost or reduction. A certificate submitted to the Borrowers by such Letter of Credit Issuer or such Participant, as the case may be (a copy of which certificate shall be sent by such Letter of Credit Issuer or such Participant to the Administrative Agent), setting forth the basis for the determination of such additional amount or amounts necessary to compensate such Letter of Credit Issuer or such Participant as aforesaid shall be conclusive and binding on the Borrowers absent manifest error, although the failure to deliver any such certificate shall not release or diminish any of the Borrowers' obligations to pay additional amounts pursuant to this Section 1A.06 upon the subsequent receipt thereof.

1A.07 Cash Collateral. If, as of the Maturity Date any Letter of Credit remains outstanding, the Borrowers shall immediately cash collateralize such Letters of Credit by depositing with the Administrative Agent cash collateral in an amount equal to 105% of the Stated Amount of such Letters of Credit.

SECTION 2. Fees; Voluntary Reduction of Commitments and Mandatory Adjustments of Commitments, etc.

2.01 Fees. (a) The Borrowers agree, jointly and severally, to pay to the Administrative Agent, for the account of each Non-Defaulting Lender that is not an Impacted Lender, for the period from and including the Closing Date to but not including the Termination Date, an unused line fee (the "Unused Line Fee") computed for each day at the rate per annum

equal to one half of one percent (0.50%) on the Unutilized Revolving Commitment of such Lender on such day. Such Unused Line Fee shall be due and payable monthly in arrears on the last Business Day of each calendar month and on the Termination Date.

(b) So long as any Letter of Credit is outstanding and has not been fully collateralized pursuant to Section 3.02(A)(a) and/or Section 8, the Borrowers agree, jointly and severally, to pay to the Administrative Agent, for the account of each Non-Defaulting Lender that is not an Impacted Lender, pro rata on the basis of their respective Percentages, a fee in respect of each such Letter of Credit (the "Letter of Credit Fee") computed for each day at a per annum rate equal to the Eurodollar Margin multiplied by the Stated Amount of all Letters of Credit outstanding on such day (less any amount thereof as to which Section 1A.01(c) Arrangements are in place). Accrued Letter of Credit Fees shall be due and payable monthly in arrears on the last Business Day of each calendar month and on the Termination Date.

(c) So long as any Letter of Credit is outstanding and has not been fully collateralized pursuant to Section 3.02(A)(a) and/or Section 8, the Borrowers agree, jointly and severally, to pay to the respective Letter of Credit Issuer a fee in respect of each such Letter of Credit issued by it (the "Facing Fee") computed for each day at the rate of 0.25% per annum on the Stated Amount of all such Letters of Credit outstanding on such day; provided that there will be a minimum Facing Fee per year for each Letter of Credit of $500 (which is not an additional fee). Accrued Facing Fees shall be due and payable monthly in arrears on the last Business Day of each calendar month and on the Termination Date.

(d) The Borrowers agree, jointly and severally, to pay directly to the respective Letter of Credit Issuer upon each issuance, renewal or extension of, payment under, and/or amendment of, a Letter of Credit such amount, if any, as shall at the time of such issuance, renewal, extension, payment or amendment be the sum of all administrative charges, fees and expenses which such Letter of Credit Issuer then customarily charges for issuances of, payments under or amendments of, letters of credit issued by it.

(e) The Borrowers agree, jointly and severally, to pay to the Administrative Agent, for the account of each Lender, pro rata on the basis of their respective Percentages, an upfront fee (the "Upfront Fee") in an aggregate amount equal to $1,500,000. The Upfront Fee shall be fully earned on the date the Interim Order is entered and shall be payable in two installments as follows: (1) $400,000 shall be due and payable on the date the Interim Order is entered and (2) the remainder of the Upfront Fee ($1,100,000) shall be payable in full on the date the Final Order is entered.

(f) The Borrowers shall pay to each of the Arranger and the Administrative Agent, in each case for its own account, such other fees as agreed to among the Borrowers, the Arranger and the Administrative Agent, when and as due.

(g) All computations of Fees shall be made in accordance with Section 11.07(b).

2.02 Voluntary Reduction of Revolving Commitments. Upon at least three Business Days' prior written notice (or telephonic notice confirmed in writing) to the

Administrative Agent at its Notice Office (which notice shall be deemed to be given on a certain day only if given before 2:00 P.M. (New York time) on such day and shall be promptly transmitted by the Administrative Agent to each of the Lenders), the Borrowers shall have the right, without premium or penalty, to reduce, in whole or in part, the Total Unutilized Revolving Commitment; provided that (w) any such partial reduction shall apply to proportionately and permanently reduce the Revolving Commitments of each Lender, (x) no such reduction shall reduce any Lender's Revolving Commitment by an amount greater than the then Unutilized Revolving Commitment of such Lender and (y) any partial reduction pursuant to this Section 2.02 shall be in integral multiples of $500,000.

2.03 Mandatory Adjustments of Revolving Commitments, etc. The Total Revolving Commitment shall terminate in its entirety on the Termination Date.

SECTION 3. Payments.

3.01 Voluntary Prepayments. The Borrowers shall have the right to prepay Loans, in whole or in part, from time to time on the following terms and conditions: (i) the Borrowers shall give the Administrative Agent at the Payment Office written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay the Loans, the amount of such prepayment and (in the case of Eurodollar Loans) the specific Borrowing(s) pursuant to which made, which notice shall be given by the Borrowers prior to 12:00 Noon (New York time) at least one Business Day prior to the date of such prepayment with respect to Base Rate Loans and at least three Business Days prior to the date of such prepayment with respect to Eurodollar Loans, and which notice shall promptly be transmitted by the Administrative Agent to each of the Lenders; (ii) each partial prepayment of any Borrowing shall be in an aggregate principal amount of at least $500,000; provided that no partial prepayment of Eurodollar Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of the Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto; (iii) the Borrowers may designate the Types of Loans which are to be prepaid and the specific Borrowing(s) to which made; provided that at the Borrowers' election in connection with any prepayment of Loans pursuant to this Section 3.01, such prepayment shall not be applied to any Loans of a Defaulting Lender; and (iv) at the time of any prepayment of Eurodollar Loans pursuant to this Section 3.01 on any date other than the last day of the Interest Period applicable thereto, the Borrowers shall pay the amounts required pursuant to Section 1.11.

3.02 Mandatory Prepayments.

(A) Requirements:

(a) (i) If on any date (and after giving effect to all other repayments on such date) the sum of (I) the aggregate outstanding principal amount of Loans made by Non-Defaulting Lenders and (II) the Letter of Credit Outstandings (less any amount thereof as to which Section 1A.01(c) Arrangements are in place) exceeds the Adjusted Total Available Revolving Commitment as then in effect, the Borrowers shall repay on such date the principal of outstanding Loans of Non-Defaulting Lenders in an aggregate amount equal to such excess. If, after giving effect to such repayment or repayments, the Letter of Credit Outstandings (less any amount thereof as to which Section 1A.01(c) Arrangements are in place) exceeds the Adjusted

Total Available Revolving Commitment then in effect, the Borrowers shall pay to the Collateral Agent an amount in cash and/or Cash Equivalents equal to such excess and the Collateral Agent shall hold such payment as security for the obligations of the Borrowers in respect of Letters of Credit owing to Non-Defaulting Lenders pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Collateral Agent (which shall permit certain investments in Cash Equivalents reasonably satisfactory to the Collateral Agent, until all proceeds are applied to such secured obligations or until all Letters of Credit so secured expire undrawn, at which time such amount shall be returned to the Borrowers).

(ii) On any date on which the aggregate outstanding principal amount of the Loans made by any Defaulting Lender exceeds the Available Revolving Commitment of such Defaulting Lender, the Borrowers shall prepay on such date principal of outstanding Loans of such Defaulting Lender in an amount equal to such excess.

(b) To the extent not theretofore repaid pursuant to the provisions of this Agreement, all outstanding Loans, plus all accrued but unpaid interest thereon, shall be repaid in full on the Termination Date.

(B) Application:

With respect to each prepayment of Loans required by Section 3.02(A), the Borrowers may designate the Types of Loans which are to be prepaid; provided that (i) if any prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount for such Borrowing, such Borrowing shall be immediately converted into Base Rate Loans; (ii) except for the differing treatments of Defaulting Lenders and Non-Defaulting Lenders as expressly provided in Section 3.02(A)(a), each prepayment of any Loans made pursuant to a given Borrowing shall be applied pro rata among such Loans; (iii) repayments of Eurodollar Loans pursuant to this Section 3.02 may only be made on the last day of an Interest Period applicable thereto unless (x) all Eurodollar Loans with Interest

Periods ending on such date of required repayment and all Base Rate Loans have been paid in full and/or (y) concurrently with such repayment, the Borrowers pay all breakage costs and other amounts owing to each Lender pursuant to Section 1.11. In the absence of a designation by the Borrowers as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs owing under Section 1.11. Notwithstanding the foregoing provisions of this Section 3.02, if at any time the mandatory repayment of Loans pursuant to this Section 3.02 would result, after giving effect to the procedures set forth in clause (iii) of the second preceding sentence, in the Borrowers incurring breakage costs under Section 1.11 as a result of Eurodollar Loans being repaid other than on the last day of an Interest Period applicable thereto (any such Eurodollar Loans "Affected Loans"), the Borrowers may (in lieu of making such payment) elect, by written notice to the Administrative Agent, to have the provisions of the following sentence be applicable. At the time any Affected Loans are otherwise required to be prepaid, the Borrowers may elect to deposit 100% (or such lesser percentage elected by the Borrowers as not being repaid) of the principal amounts that otherwise would have been paid in respect of the Affected Loans with the Administrative Agent to be held as security for the obligations of the Borrowers hereunder pursuant to a cash collateral agreement to be entered into in form and substance

satisfactory to the Administrative Agent, with such cash collateral to be released from such cash collateral account (and applied to repay the principal amount of such Eurodollar Loans) upon each occurrence thereafter of the last day of an Interest Period applicable to Eurodollar Loans (or such earlier date or dates as shall be requested by the Borrowers), with the amount to be so released and applied on the last day of each Interest Period to be the amount of such Eurodollar Loans to which such Interest Period applies (or, if less, the amount remaining in such cash collateral account).

3.03 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement shall be made to the Administrative Agent for the ratable account of the Lenders entitled thereto, not later than 1:00 P.M. (New York time) on the date when due and shall be made in immediately available funds and in Dollars at the Payment Office, it being understood that written notice by the Borrowers to the Administrative Agent to make a payment from the funds in any Borrower's account at the Payment Office shall constitute the making of such payment to the extent of such funds held in such account. Any payments under this Agreement which are made later than 1:00 P.M. (New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

3.04 Net Payments. (a) All payments made by the Borrowers hereunder and/or under any Note will be made without setoff, counterclaim or other defense. Except as provided in Section 3.04(b) and Section 3.04(c), and provided Section 3.04(b) and Section 3.04(c) are complied with, all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, (i) any tax imposed on or measured by the net income or net profits or franchise taxes (in lieu of net income taxes or net profit taxes) of a Lender pursuant to the laws of the jurisdiction in which it is organized or the jurisdiction in which the principal office or applicable lending office of such Lender is located or any subdivision thereof or therein and (ii) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which any Borrower is located) and all interest, penalties or similar liabilities with respect to such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges (all such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). If any Taxes are so levied or imposed, the Borrowers agree to (i) pay the full amount of such Taxes to the applicable governmental authority, and (ii) pay such additional amounts to the Lenders as may be necessary so that every payment of all amounts due under this Agreement and/or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or therein, provided this clause (ii) in this Section 3.04(a) shall apply if Section 3.04(b) and Section 3.04(c) are complied with. The Borrowers will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by a Borrower. The Borrowers agree, jointly and severally, to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request,

for the amount of any Taxes so levied or imposed and paid by such Lender (other than penalties and interest attributable to the gross negligence or willful misconduct of the Administrative Agent or Lender).

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes agrees to deliver to the Borrowers and the Administrative Agent on or prior to the Closing Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.13 or 11.04 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, or in the case of New Lending Office by a Lender, the date such New Lending Office is designated (i) two accurate and complete original signed copies of Internal Revenue Service Form W-8ECI or W-8BEN (with respect to a complete exemption under an income tax treaty) (or successor form)) certifying to such Lender's entitlement as of such date to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, or (ii) if the Lender or beneficial owner is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (B) a 10-percent shareholder of a Borrower within the meaning of Section 881(c)(3)(B) of the Code, and (C) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and cannot deliver either Internal Revenue Service Form W-8ECI or W-8BEN (with respect to a complete exemption under an income tax treaty) pursuant to clause (i) above, (x) a certificate substantially in the form of Exhibit D (any such certificate, a "Section 3.04 Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN (with respect to the portfolio interest exemption) (or successor form) certifying to such Lender's entitlement as of such date to a complete exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Note. In addition, each Lender agrees that from time to time after the Closing Date, when a lapse of time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrowers and the Administrative Agent two new accurate and complete original signed copies of Internal Revenue Service Form W-8ECI or W-8BEN (with respect to the benefits of any income tax treaty), or Form W-8BEN (with respect to the portfolio interest exemption) and a Section 3.04 Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note, or it shall immediately notify the Borrowers and the Administrative Agent of its inability to deliver any such Form or Certificate, in which case such Lender shall not be required to deliver any such Form or Certificate pursuant to this Section 3.04(b). Notwithstanding anything to the contrary contained in Section 3.04(a), but subject to Section 11.04(b) and the immediately succeeding sentence, (x) the Borrowers shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, Fees or other amounts payable by it hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes to the extent that such Lender has not provided to the Borrowers U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrowers shall not be obligated pursuant to Section 3.04(a) hereof to gross-up payments to be made by it to a Lender in respect of income or similar taxes imposed by the United States (I) if such Lender has not

provided to the Borrowers the Internal Revenue Service Forms required to be provided to the Borrowers pursuant to this Section 3.04(b) or Section 3.04(c) or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such Forms do not establish a complete exemption from withholding of such taxes. If the Borrowers are required to pay any additional amounts to a Lender or indemnify a Lender pursuant to this Section 3.04 (prior to the application of this sentence), notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 3.04 and except as set forth in Section 11.04(b), the Borrowers agree, jointly and severally, to pay any additional amounts and to indemnify each Lender in the manner set forth in Section 3.04(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Closing Date (or the date a person becomes a Lender under this Agreement, as applicable) in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of such income or similar taxes.

(c) Any Lender that is a United States person and that may not be treated as an exempt recipient based on the indicators described in Treasury Regulation Section 1.6049-4(c)(1)(ii) shall deliver to the Borrowers on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter as prescribed by applicable law or upon the request of the Borrowers), two duly executed and properly completed copies of U.S. Internal Revenue Service Form W-9, or any successor form that such Lender is entitled to provide at such time in order to comply with United States back-up withholding requirements. Notwithstanding any other provision in this Section 3.04, no amount shall be required to be paid to any Lender under this Section 3.04 with respect to backup withholding if there has been a notified underreporting pursuant to Section 3406(a)(1)(C) of the Code (or similar provision or successor provision).

(d) If the Borrowers pay any additional amount under this Section 3.04 to a Lender and such Lender determines in its sole discretion (but acting in good faith) that it has actually received or realized in connection therewith any refund or any reduction of, or credit against, its Tax liabilities in or with respect to the taxable year in which the additional amount is paid (or would have been paid but for the fact that such refund was netted against any additional Tax liability of the Lender), such Lender shall pay to the Borrowers an amount that the Lender shall, in its sole discretion (but acting in good faith), determine is equal to such net benefit, after tax, which was obtained by the Lender in such year as a consequence of such refund, reduction or credit.

SECTION 4. Conditions Precedent.

4.01 Conditions Precedent to Closing Date and the Initial Incurrence of Loans. The obligation of the Lenders to make Loans hereunder and the obligation of each Letter of Credit Issuer to issue Letters of Credit hereunder, in each case on the Closing Date, are subject to the satisfaction of each of the following conditions at such time:

(a) Certain Documents. The Administrative Agent shall have received each of the following, each dated the Closing Date unless otherwise indicated or agreed to by the

Administrative Agent in its reasonable discretion, in form and substance reasonably satisfactory to the Administrative Agent:

(i) this Agreement, duly executed and delivered by the Borrowers and, for the account of each Lender requesting the same, a Note of the Borrowers conforming to the requirements set forth herein;

(ii) the Pledge Agreement, in the form of Exhibit G (as modified, amended, restated and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Pledge Agreement") duly executed and delivered by FairPoint and each Subsidiary listed on Annex IX;

(iii) the Security Agreement, in the form of Exhibit I (as modified, amended, restated and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Security Agreement") duly executed and delivered by the Borrowers and the Guarantors, together with each of the following:

(A) certified copies of Requests for Information or Copies (Form UCC-11), or equivalent reports, each of a recent date, listing all effective financing statements that name any Credit Party as debtor and that are filed in the state or other jurisdiction of incorporation or organization of such Credit Party, together with copies of such other financing statements that name any Credit Party as debtor (none of which shall cover any of the Collateral, except to the extent evidencing Permitted Liens); and

(B) evidence that all other actions necessary or, in the reasonable opinion of the Collateral Agent, desirable to create, maintain, effect, perfect, preserve, and protect the security interests purported to be created by the Security Documents have been taken; and

(iv) the Subsidiary Guaranty, in the form of Exhibit J hereto (as modified, amended, restated and/or supplemented from time to time in accordance with the terms hereof and thereof, the "Subsidiary Guaranty") duly authorized and executed by each Subsidiary of FairPoint listed on Annex X.

(b) Opinions of Counsel. The Administrative Agent shall have received from Paul, Hastings, Janofsky & Walker LLP, special counsel to the Credit Parties, an opinion addressed to the Administrative Agent, the Collateral Agent and each of the Lenders and dated the Closing Date substantially in the form of Exhibit H.

(c) Company Proceedings. The Administrative Agent shall have received a certificate, dated the Closing Date, signed by an Authorized Officer in the form of Exhibit K with appropriate insertions and deletions, together with (x) copies of the certificate of incorporation, by-laws or other organizational documents of each Credit Party and (y) the resolutions of each Credit Party referred to in such certificate and all of the foregoing (including each such organizational document) shall be reasonably satisfactory to the Administrative Agent and (z) a statement that all of the applicable conditions set forth in Section 4.02(b) have been satisfied as of such date.

(d) Fees. The Borrowers shall have paid to the Arranger, the Administrative Agent and the Lenders all Fees and expenses agreed upon to be paid on or prior to the Closing Date (for which, in the case of legal fees and expenses, the Borrowers shall have received in advance a written invoice in reasonable detail).

(e) Patriot Act. The Administrative Agent shall have received all documentation and other information required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the Patriot Act.

(f) Insurance. The Administrative Agent shall have received evidence reasonably satisfactory to it that all insurance policies required to be maintained pursuant to Section 6.03 are in full force and effect, including, but not limited to, naming the Collateral Agent as additional insured (in the case of liability insurance) or loss payee or mortgagee, as its interest may appear (in the case of hazard insurance).

(g) Budget. The Administrative Agent and each Lender shall have received and been reasonably satisfied with the budget (the "Budget"), in the form of Exhibit L, which shall set forth in reasonable detail receipts and disbursements of the Debtors on a weekly basis for the 13-week period following the Petition Date.

(h) Plan Support Agreement. The Administrative Agent and the Lenders shall have received the Plan Support Agreement (as modified, amended, restated and/or supplemented from time to time in accordance with the terms thereof, the "Plan Support Agreement") duly executed and delivered by FairPoint and the other Debtors, which Plan Support Agreement shall be in form and substance satisfactory to the "Consenting Lenders" party thereto.

(i) Proceedings. All proceedings taken in connection with the execution of this Agreement, all other Credit Documents and all documents and papers related thereto and approval thereof by the Bankruptcy Court (including, without limitation, the nature, scope and extent of notices to interested parties with respect to all hearings related hereto and thereto) shall be reasonably satisfactory in form, scope and substance to the Administrative Agent and the Lenders.

(j) First Day Orders. All "First Day Orders" or other orders entered or to be entered at the time of the Petition Date shall be reasonably satisfactory in form and substance to the Administrative Agent and the Lenders in all respects.

(k) Interim Order. The Interim Order shall have been entered by the Bankruptcy Court, within seven (7) Business Days of the Filing Date (but in any event not later than the Closing Date), which Interim Order shall be in form and substance satisfactory to the Administrative Agent and the Lenders and shall have been entered on such prior notice to such parties in accordance with Bankruptcy Rule 4001 (as determined by the Administrative Agent), and the Administrative Agent shall have received a copy of same, and such order shall be in full force and effect and shall not have been (i) stayed, vacated, revised or rescinded or (ii) without the prior written consent of the Administrative Agent and the Lenders, in their sole discretion, amended or modified.

(l) Good Standing Certificates. The Administrative Agent shall have received such documents and certifications as the Administrative Agent may reasonably require to evidence that each Credit Party is duly organized or formed, and is validly existing, in good standing and qualified to engage in business in its jurisdiction of incorporation or organization and each other jurisdiction each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

4.02 Conditions Precedent to All Loans. The obligation of each Lender to make Loans, and of each Letter of Credit Issuer to issue Letters of Credit, is subject, at the time of the making of each such Loan and the issuance of each such Letter of Credit, to the satisfaction of the following conditions:

(a) Notice of Borrowing. The Administrative Agent shall have received a Notice of Borrowing meeting the requirements of Section 1.03 or a Letter of Credit Application meeting the requirements of Section 1A.03.

(b) Representations and Warranties; No Default. At the time of each making of Loans and each issuance of a Letter of Credit and also after giving effect thereto, (i) each of the representations and warranties made by any Credit Party contained herein or in the other Credit Documents shall be true and correct in all material respects, in each case on and as of such date as if made on and as of such date, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date and (ii) there shall exist no Default or Event of Default.

(c) Financing Orders. The Interim Order or, following the entry of the Final Order, shall be in full force and effect, and shall not have been vacated, reversed or rescinded, and an appeal of such order shall not have been timely filed and a stay of such order pending appeal shall not be presently effective, and without the prior written consent of the Administrative Agent, such order shall not have been amended or modified.

(d) Fees. The Borrowers shall have paid to the Administrative Agent and the Lenders all Fees then due and payable as provided for herein or in any of the other Credit Documents.

The occurrence of the Closing Date and the acceptance of the benefits or proceeds of each Borrowing by and issuance of a Letter of Credit on behalf of the Borrowers shall constitute a representation and warranty by the Borrowers to the Administrative Agent, each Letter of Credit Issuer and each of the Lenders that all the conditions specified in Section 4 and applicable to such Borrowing or issuance of such Letter of Credit have been satisfied as of that time.

SECTION 5. Representations, Warranties and Agreements. In order to induce the Lenders to enter into this Agreement, to make the Loans and to issue and/or participate in Letters of Credit, the Borrowers make the following representations and warranties to, and

agreements with, the Lenders, all of which shall survive the execution and delivery of this Agreement, the making of the Loans and the issuance of the Letters of Credit:

5.01 Company Status. Each Borrower and each of its Subsidiaries (i) is a duly organized and validly existing Company and is in good standing, in each case under the laws of the jurisdiction of its organization and has the Company power and authority to own its property and assets and to transact the business in which it is engaged, and (ii) is duly qualified and is authorized to do business and, to the extent relevant, is in good standing in all jurisdictions where it is required to be so qualified except where the failure to be so qualified, authorized or in good standing would not be reasonably likely to have a Material Adverse Effect.

5.02 Company Power and Authority. Each Credit Party has the Company power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents to which it is a party and has taken all necessary action to authorize the execution, delivery and performance of the Credit Documents to which it is a party. Each Credit Party has duly executed and delivered each Credit Document to which it is a party and each such Credit Document, subject to the Financing Orders, constitutes the legal, valid and binding obligation of such Person enforceable in accordance with its terms.

5.03 No Violation. Neither the execution, delivery or performance by any Credit Party of the Credit Documents to which it is a party nor compliance with the terms and provisions thereof, (i) will contravene any applicable provision of any law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality, (ii) will violate, conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or (other than pursuant to the Financing Orders and the other Security Documents) result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrowers or any of their Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust or other material agreement or instrument to which any Borrower or any of their Subsidiaries is a party or by which it or any of its property or assets are bound or to which it may be subject (other than existing Indebtedness set forth on Annex XI) or (iii) will violate any provision of the organizational documents (including by-laws) of any Borrower or any of their Subsidiaries.

5.04 Litigation. Except for the Chapter 11 Cases, there are no actions, suits or proceedings pending or, to the knowledge of the Borrowers, threatened (i) with respect to any Credit Document, (ii) with respect to the Transaction or (iii) with respect to the Borrowers or any of their Subsidiaries that have had, or that are reasonably likely to have, a Material Adverse Effect. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon the incurrence of any Credit Event.

5.05 Use of Proceeds; Margin Regulations. (a) The proceeds of the Loans shall be used by the Borrowers in the Chapter 11 Cases for (i) general working capital purposes of the Borrowers and their Subsidiaries (including to fund Consolidated Capital Expenditures in compliance with Section 7.05); (ii) paying amounts owed to the Administrative Agent, the Collateral Agent and the Lenders from time to time under this Agreement and the other Credit Documents; (iii) paying reasonable professional fees and expenses payable to the Prepetition

Agent under the Prepetition Credit Agreement; (iv) paying cure amounts (including, without limitation, settlement or cure payments to Capgemini, U.S., LLC); provided, that the aggregate of any such cure amounts (other than the settlement or cure payments to Capgemini, U.S., LLC) shall be reasonably acceptable to the Administrative Agent and the Lenders; and (v) paying fees and expenses of Professionals, subject to the Carve Out, to the extent such Professional fees and expenses are approved by final order of the Bankruptcy Court and, to the extent applicable, consistent with the engagement letters of such Professionals in effect on October 26, 2009.

(b) The Letters of Credit shall be issued for financing arising out of the general corporate needs and purposes of the Borrowers and their Subsidiaries (including, without limitation, to replace Existing Letters of Credit).

(c) Neither the making of any Loan hereunder, nor the use of the proceeds thereof, nor the occurrence of any other Credit Event, will violate the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System. No part of any Credit Event (or the proceeds thereof) will be used to purchase or carry any Margin Stock or to extend credit for the purpose of purchasing or carrying any Margin Stock.

(d) The fair market value of all Margin Stock owned by the Borrowers and their Subsidiaries (other than the capital stock of the Borrowers held in treasury) on the Closing Date does not exceed $5,000,000.

5.06 Governmental Approvals. Except for such consents, approvals and filings as have been obtained or made on or prior to the Closing Date and remain in full force and effect and, subject to the entry of the Financing Orders, no order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any foreign or domestic governmental or public body or authority (including, without limitation, the FCC and applicable PUCs), or any subdivision thereof, is required to authorize or is required in connection with (i) the execution, delivery and performance of any Credit Document or (ii) the legality, validity, binding effect or enforceability of any Credit Document.

5.07 Investment Company Act. No Borrower or any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

5.08 True and Complete Disclosure. All factual information (taken as a whole), other than the projections, any budgets (including the Budget), forecasts, estimates and other forward-looking statements and any information of a general economic or industry nature, when furnished by or on behalf of the Borrowers in writing to the Lenders for purposes of or in connection with this Agreement or any transaction contemplated herein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of any Credit Party in writing to the Lenders hereunder does not or will not contain any untrue statement of material fact or omit to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. The projections and pro forma financial information contained in such materials are based on good faith estimates and assumptions believed by the Borrowers to be reasonable at the time made (it being recognized by the Lenders that such projections as to future events are not to

be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results and that such assumptions and estimates may prove to be inaccurate).

5.09 Financial Condition; Financial Statements. (a) The audited consolidated statements of financial condition of FairPoint and its Subsidiaries at December 31, 2008 and the related consolidated statements of income and cash flows and changes in shareholders' equity of FairPoint and its Subsidiaries for the fiscal year of FairPoint ended on such date, furnished to the Lenders prior to the Closing Date, present fairly in all material respects the consolidated financial position of FairPoint and its Subsidiaries at the date of said financial statements and the results for the period covered thereby. Such financial statements have been prepared in accordance with GAAP and practices consistently applied except to the extent provided in the notes to said financial statements. Nothing has occurred since December 31, 2008 that has had, or is reasonably likely to have, a Material Adverse Effect except (i) the commencement of the Chapter 11 Case, (ii) the continuation of the circumstances giving rise to the filing thereof or as a result thereof and (iii) such events that have been disclosed (in writing) to the Lenders prior to the Closing Date or that have been publicly disclosed by FairPoint.

(b) After giving effect to the making of the Loans to be made on the Closing Date, on the Closing Date the Borrowers and their Subsidiaries have no Indebtedness except (a) the Obligations and (b) Scheduled Existing Indebtedness.

5.10 Security Interests. Subject to the entry of the Interim Order, the Security Documents create as security for the obligations purported to be secured thereby, a valid and enforceable Lien on all of the Collateral subject thereto at such time, and such Liens constitute perfected and continuing Liens on all such Collateral, having priority over all other liens on such Collateral, except for Specified Liens, securing all the Obligations, and enforceable against such Credit Party and all third parties. Pursuant to the terms of the Interim Order and the Final Order, no filing or other action will be necessary to perfect or protect such Liens and security interests.

5.11 Compliance With Statutes. The Borrowers and their Subsidiaries are in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except such non-compliance as has not had, and is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect.

5.12 Tax Returns and Payments. The Borrowers and their Subsidiaries have (a) filed all U.S. federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by them and (b) have paid when due all U.S. federal, state and foreign income taxes and all other material taxes and assessments payable by them that have arisen after the Petition Date or that are the subject of a "First Day Order", except for those contested in good faith and adequately disclosed and fully provided for on the financial statements of the Borrowers and their Subsidiaries if and to the extent required by GAAP. There is no action, suit, proceeding, investigation, audit, or claim now pending and no Borrower has received any notice by a taxing authority of any future proceeding, investigation, audit or claim,

regarding any taxes relating to a Borrower or any of its Subsidiaries which is reasonably likely to have a Material Adverse Effect.

5.13 Compliance with ERISA. (i) Annex IV sets forth each Plan and Multiemployer Plan; (ii) except as set forth on Annex IV, each Plan (and each related trust, insurance contract or fund) is in substantial compliance with its terms and with all applicable laws, including without limitation ERISA and the Code; except as set forth on Annex IV, each Plan which is intended to be qualified under Section 401(a) of the Code has received a determination letter from the Internal Revenue Service to the effect that it meets the requirements of Section 401(a) of the Code; other than the commencement of the Chapter 11 Cases and except as set forth on Annex IV, no Reportable Event has occurred with respect to a Plan; to the knowledge of the Borrowers, no Multiemployer Plan is insolvent or in reorganization; except as set forth on Annex IV, no Plan has an Unfunded Current Liability which, when added to the aggregate amount of Unfunded Current Liabilities with respect to all other Plans, would be reasonably likely to have a Material Adverse Effect; no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has an accumulated funding deficiency, within the meaning of such sections of the Code or ERISA, or has applied for or received a waiver of an accumulated funding deficiency or an extension of any amortization period, within the meaning of Section 412 of the Code or Section 303 or 304 of ERISA; all contributions required to be made with respect to a Plan or a Multiemployer Plan have been timely made; no Borrower or any Subsidiary thereof or any ERISA Affiliate has incurred any material liability (including any indirect, contingent or secondary liability) to or on account of a Plan or a Multiemployer Plan pursuant to Section 409, 502(i), 502(1), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or reasonably expects to incur any such liability under any of the foregoing sections with respect to any Plan or any Multiemployer Plan; no condition exists which presents a material risk to the Borrowers or any Subsidiary or any ERISA Affiliate of incurring a material liability to or on account of a Plan or, to the knowledge of the Borrowers, of any Multiemployer Plan pursuant to the foregoing provisions of ERISA and the Code; no proceedings have been instituted to terminate or appoint a trustee to administer any Plan which is subject to Title IV of ERISA; except as would not result in any material liability, no action, suit, proceeding, hearing, audit or investigation with respect to the administration, operation or the investment of assets of any Plan (other than routine claims for benefits) is pending, or to the best knowledge of the Borrowers expected or threatened; using actuarial assumptions and computation methods consistent with Part 1 of subtitle E of

Title IV of ERISA, the aggregate liabilities of the Borrowers and their Subsidiaries and its ERISA Affiliates to all Multiemployer Plans in the event of a complete withdrawal therefrom, as of the close of the most recent fiscal year of each such Plan ended prior to the date of the most recent Loan incurrence, would not exceed $500,000; except as would not result in a material liability, each group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) which covers or has covered employees or former employees of any Borrower, any Subsidiary or any ERISA Affiliate has at all times been operated in compliance with the provisions of Part 6 of subtitle B of Title I of ERISA and Section 4980B of the Code; no Lien imposed under the Code or ERISA on the assets of any Borrower or any Subsidiary or any ERISA Affiliate exists or is reasonably likely to arise on account of any Plan; and the Borrowers and their Subsidiaries do not maintain or contribute to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) which provides benefits to retired employees or other former employees (other than as required by

Section 601 of ERISA) or any Plan the obligations with respect to which could reasonably be expected to have a Material Adverse Effect.

5.14 Subsidiaries. On and as of the Closing Date, the Borrowers have no Subsidiaries other than those Subsidiaries listed on Annex III, which correctly sets forth, as of the Closing Date, the percentage ownership (direct and indirect) of each Borrower in each class of capital stock or other equity interests of each of its Subsidiaries and also identifies the direct owner thereof. All outstanding shares of capital stock or other equity interests of each Subsidiary of the Borrowers have been duly and validly issued, are fully paid and non-assessable and are free of preemptive rights. No Subsidiary of the Borrowers has outstanding any securities convertible into or exchangeable for its capital stock or other equity interests or outstanding any right to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of or any calls, commitments or claims of any character relating to, its capital stock or other equity interests or any stock appreciation or similar rights.

5.15 Intellectual Property. Each Borrower and its Subsidiaries owns or holds a valid transferable license to use all the patents, trademarks, service marks, trade names, domain names, technology, know-how, copyrights, licenses, franchises and formulas or rights with respect to the foregoing, that are used in the operation of the business of such Borrower or such Subsidiary as presently conducted and are material to such business where the failure to own or hold a valid license is reasonably likely to have a Material Adverse Effect.

5.16 Environmental Matters. The Borrowers and their Subsidiaries are in material compliance with all applicable Environmental Laws governing its business for which failure to comply is reasonably likely to have a Material Adverse Effect, and no Borrower or any of its Subsidiaries is liable for any material penalties, fines or forfeitures for failure to comply with any of the foregoing in the manner set forth above. All licenses, permits, registrations or approvals required for the business of the Borrowers and each of their Subsidiaries under any Environmental Law have been secured and each Borrower and its Subsidiaries is in substantial compliance therewith, except where the failure to secure or comply with such licenses, permits, registrations or approvals the failure to secure or to comply therewith is not reasonably likely to have a Material Adverse Effect. There are no Environmental Claims pending or, to the knowledge of the Borrowers threatened, against the Borrowers or any of their Subsidiaries with respect to which any decision, ruling or finding is reasonably likely to have a Material Adverse Effect.

5.17 Labor Relations. No Credit Party is engaged in any unfair labor practice that is reasonably likely to have a Material Adverse Effect. There is (i) no unfair labor practice complaint pending against the Borrowers or any of their Subsidiaries or, to the Borrowers' knowledge, threatened against any of them, before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending against any Borrowers or any of their Subsidiaries or, to the Borrowers' knowledge, threatened against any of them, (ii) no strike, labor dispute, slowdown or stoppage pending against the Borrowers or any of their Subsidiaries or, to the Borrowers' knowledge, threatened against the Borrowers or any of their Subsidiaries and (iii) no union representation question, to the Borrowers' knowledge, existing with respect to the employees of any Borrowers or any of

their Subsidiaries and no union organizing activities, to the Borrowers' knowledge, are taking place, except with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate, such as is not reasonably likely to have a Material Adverse Effect.

5.18 Capitalization. On the Closing Date, the authorized capital stock of FairPoint shall consist of (i) 200,000,000 shares of common stock, $.01 par value per share, of which 90,015,551 shares are issued and outstanding on the Closing Date and (ii) 100,000,000 shares of preferred stock, $.01 per share, none of which is issued and outstanding on the Closing Date. All such outstanding shares have been duly and validly issued, are fully paid and nonassessable and are free of preemptive rights. On the Closing Date, the Borrowers do not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock or any stock appreciation or similar rights (other than as listed on Annex VIII).

5.19 Financing Orders. (a) The Credit Parties are in compliance in all material respects with the terms and conditions of the Interim Order or the Final Order, as applicable.

(b) Each of the Interim Order (with respect to the period prior to the entry of the Final Order) or the Final Order (from after the date the Final Order is entered) is in full force and effect and has not been vacated, reversed or rescinded or, without the prior written consent of the Administrative Agent, in its sole discretion, amended or modified and no appeal of such order has been timely filed or, if timely filed, no stay pending such appeal is currently effective.

5.20 Certain Bankruptcy Matters.

(a) Except to the extent provided otherwise in the Interim Order or the Final Order (as applicable), the Borrowers hereby agree that the Obligations shall (i) constitute superpriority allowed administrative expense claims in the Chapter 11 Cases having priority pursuant to Section 364(c)(1) of the Bankruptcy Code over all administrative expense claims and unsecured claims against the Borrowers now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, all administrative expense claims of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code and all superpriority administrative expense claims granted to any other Person, subject, as to priority, only to the Carve Out, the establishment of which superpriority shall have been approved and authorized by the Bankruptcy Court and (ii) be secured pursuant to Sections 364(c)(2), (c)(3) and (d)(1) of the Bankruptcy Code subject only to Specified Liens and, to the extent provided in any of the Financing Orders, shall not be subject to claims against the Collateral pursuant to Section 506(c) of the Bankruptcy Code.

(b) The Collateral Agent's Liens and the administrative expense claim priority granted pursuant to clause (a) above have been independently granted by the Credit Documents, and may be independently granted by other Credit Documents heretofore or hereafter entered into. The Collateral Agent's Liens and the administrative expense claim priority granted

pursuant to clause (a) above, this Agreement, the Interim Order, the Final Order and the other Credit Documents supplement each other, and the grants, priorities, rights and remedies of the Lenders, the Administrative Agent and the Collateral Agent hereunder and thereunder are cumulative. In the event of a direct conflict between the Interim Order or the Final Order, on the one hand, and any other Credit Document, on the other hand, the Interim Order or the Final Order, as the case may be, shall control.

(c) Notwithstanding anything to the contrary contained herein or elsewhere:

(i) The Collateral Agent's Liens on the Collateral shall be deemed valid and perfected by entry of the Interim Order and the Final Order, as the case may be, which entry of the Interim Order shall have occurred on or prior to the Closing Date. The Collateral Agent, the Administrative Agent and the Lenders shall not be required to file, register or publish any financing statements, mortgages, hypothecs, notices of Lien or similar instruments in any jurisdiction or filing or registration office, or to take possession of any Collateral or to take any other action in order to validate, render enforceable or perfect the Liens on Collateral granted by or pursuant to this Agreement, the Interim Order, the Final Order or any other Credit Document. If the Collateral Agent, the Administrative Agent or the Required Lenders shall, in its or their sole discretion, from time to time elect to file, register or publish any such financing statements, mortgages, hypothecs, notices of Lien or similar instruments, take possession of any Collateral, or take any other action to validate, render enforceable or perfect all or any portion of the Collateral Agent's Liens on the Collateral, all such documents and actions shall be deemed to have been filed, registered, published or recorded or taken at the time and on the date the Interim Order is entered.

(ii) The Liens, lien priorities, superpriority administrative expense claims and other rights and remedies granted to the Collateral Agent and the Lenders pursuant to this Agreement, the Interim Order, the Final Order or the other Credit Documents (specifically including, but not limited to, the existence, perfection, enforceability and priority of the Liens provided for herein and therein, and the administrative expense claim priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of debt by the Borrowers (pursuant to Section 364 of the Bankruptcy Code or otherwise), or by dismissal or conversion of the Chapter 11 Cases, or by any other act or omission whatsoever. Without limiting the generality of the foregoing, notwithstanding any such order, financing, extension, incurrence, dismissal, conversion, act or omission:

(A) except for the Carve Out, no costs or expenses of administration which have been or may be incurred in the Chapter 11 Cases or any conversion of the same or in any other proceedings related thereto, and no priority claims, are or will be prior to or on a parity with any claim of any Lender, the Collateral Agent or the Administrative Agent against the Borrowers in respect of any Obligation;

(B) the Collateral Agent's Liens on the Collateral shall constitute valid, enforceable and perfected Liens (subject only to Permitted Liens), which Liens shall be first priority Liens, subject only to Specified Liens, to which such Liens shall or may be subordinate

and junior, and shall be prior to all other Liens, now existing or hereafter arising, in favor of any other creditor or other Person; and

(C) the Collateral Agent's Liens on the Collateral shall continue to be valid, enforceable and perfected without the need for the Collateral Agent, the Administrative Agent or any Lender to file, register or publish any financing statements, mortgages, hypothecs, notices of Lien or similar instruments or to otherwise perfect the Collateral Agent's Liens under applicable nonbankruptcy law.

SECTION 6. Affirmative Covenants. The Borrowers hereby covenant and agree that until the Revolving Commitments have terminated, no Notes or Letters of Credit are outstanding and the Loans, together with interest, Fees and all other Obligations (other than any indemnities described in Section 11.12 which are not then owing) incurred hereunder, are paid in full:

6.01 Information Covenants. The Borrowers will furnish to each Lender (or, in the case of clause (j) below, to the Administrative Agent for distribution to the Lenders):

(a) [Intentionally Omitted].

(b) Quarterly Financial Statements. As soon as available and in any event within 40 days after the close of every quarterly accounting period in each fiscal year of FairPoint (provided that such 40 day period shall be extended to 45 days if FairPoint is not subject to the SEC's large accelerated filer filing requirements and such 40 or 45 day period, as applicable, shall be extended an additional 5 days if FairPoint has filed a Form 12b-25 with the SEC extending the date of the filing of the Quarterly Report on Form 10-Q due on such 40th or 45th day, as applicable; provided, further, that with respect to the quarterly accounting period ending December 31, 2009, such period shall be extended to 75 days), (i) the consolidated balance sheet of FairPoint and its Subsidiaries, as at the end of such quarterly period, and the related consolidated statements of operations and of cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period and (ii) consolidated balance sheets of each Intermediary Holding Company and its Subsidiaries, as at the end of such quarterly period, and the related consolidated statements of operations and of cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and the case of each of clauses (i) and (ii), setting forth comparative consolidated figures for the related periods in the prior fiscal year, all of which shall be in reasonable detail and certified by the chief financial officer or controller of FairPoint, subject to changes resulting from audit and normal year-end audit adjustments.

(c) Monthly Financial Statements. As soon as available and in any event within 30 days after the close of each fiscal month (provided that such 30 day period shall be extended to 45 days in the case of the fiscal month ending on the last day of a fiscal year of FairPoint; provided, further, that with respect to the October 2009 fiscal month, such period shall be extended to the date the schedules to FairPoint's disclosure statement are filed with the Bankruptcy Court), commencing with the first fiscal month ending after the Closing Date, the consolidated balance sheet of FairPoint and its Subsidiaries, as at the end of such monthly period and the related consolidated statements of operations and of cash flows for such monthly period

and for the elapsed portion of the fiscal year ended with the last day of such monthly period, in each case setting forth comparative consolidated figures for the related periods in the prior fiscal year, all of which shall be in reasonable detail and certified by the chief financial officer or controller of FairPoint, subject to normal year-end audit adjustments.

(d) Budgets; etc. At any time that either (i) the aggregate outstanding principal amount of the Loans is $25,000,000 or more or (ii) the Budget, or any update to the Budget required to be delivered by the Borrowers hereunder, forecasts that the aggregate outstanding principal amount of the loans will be $25,000,000 or more at any time during the period covered by the Budget or such update, weekly updates to the Budget by no later than the third (3rd) Business Day of each week. At all other times, monthly updates to the Budget by no later than three Business Days after the previous month end.

(e) Compliance Certificates. At the time of the delivery of the financial statements provided for in Sections 6.01(b) or (c), a certificate ("Compliance Certificate") of the chief financial officer or other Authorized Officer of FairPoint to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof, which certificate if delivered with the financial statements required by Section 6.01(c), shall set forth the calculations required to establish whether the Borrowers and their Subsidiaries were in compliance with the provisions of Sections 7.05 and 7.12 as at the end of such fiscal period.

(f) Notice of Default or Litigation. Promptly, and in any event within five Business Days after any officer of any Borrower obtains knowledge thereof, notice of (x) the occurrence of any event which constitutes a Default or Event of Default, which notice shall specify the nature thereof, the period of existence thereof and what action the Borrowers propose to take with respect thereto, and (y) the commencement of, or any significant adverse development in, any litigation or governmental proceeding pending against any Borrower or any of its Subsidiaries or their assets or business (i) with respect to any Credit Document or (ii) which has had, or is reasonably likely to have, a Material Adverse Effect and (iii) any other event which has had, or is reasonably likely to have, a Material Adverse Effect.

(g) Other Information. Promptly upon transmission thereof, copies of any filings and registrations with, and reports to, the Securities and Exchange Commission or any successor thereto (the "SEC") (including any annual or quarterly audited or unaudited financial statements), and with reasonable promptness, such other information or documents (financial or otherwise) as the Administrative Agent on its own behalf or on behalf of any Lender may reasonably request from time to time.

(h) "Daily Operations Dashboard." On a bi-weekly basis, by no later than the third Business Day of every other week (commencing with the first such day following the Closing Date), the "Daily Operations Dashboard" in substantially the form previously delivered to the Financial Advisor.

(i) Variance Reports. To the extent the Borrowers are required to update the Budget weekly in accordance with the provisions of Section 6.01(d), by no later than the third Business Day of each week, otherwise, on a bi-weekly basis, by no later than the third Business

Day of every other week (in either case, commencing with the first such day following the Closing Date), variance reports (in the same format as the Budget), showing actual cash receipts and disbursements for the immediately preceding week(s), noting therein all variances, on a line-item basis, from values set forth for such period in the Budget (and updates thereto).

(j) Expressions of Interest. Promptly, and in any event within three (3) Business Days after the occurrence thereof, notice if any third party expresses an interest either formally or informally in acquiring all or any substantial part of the Borrowers' business (the distribution of such information by the Administrative Agent may be subject to certain confidentiality arrangements as are appropriate and may be reasonably agreed upon).

6.02 Books, Records and Inspections. Each Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with, and as required by, GAAP and all material requirements of law shall be made of all dealings and transactions in relation to such Person's business and activities. Each Borrower will, and will cause its Subsidiaries to, permit, upon reasonable notice to the chief financial officer, controller or any other Authorized Officer of the Borrowers, officers and designated representatives of the Financial Advisor, the Administrative Agent or the Required Lenders to visit and inspect any of the properties or assets of the Borrowers and any of their Subsidiaries in their possession and to examine the books of account of any Borrower and any of its Subsidiaries and discuss the affairs, finances and accounts of the Borrowers and of any of their Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants, all at such reasonable times and intervals during normal business hours (with reasonable notice) and to such reasonable extent as the Administrative Agent or the Required Lenders may desire. The Borrowers will, and will use reasonable efforts to cause their respective Subsidiaries, employees, agents, auditors, advisors and consultants to, cooperate generally with the Financial Advisor and any of the Administrative Agent's attorneys.

6.03 Insurance. Each Borrower will, and will cause each of its Subsidiaries to, at all times maintain in full force and effect insurance with reputable and solvent insurers in such amounts, covering such risks and liabilities and with such deductibles or self-insured retentions as are in accordance with normal industry practice and providing (a) for payment of losses to the Collateral Agent as its interests may appear in respect of any Collateral, (b) that such policies may not be canceled for any reason without 30 days prior notice to the Collateral Agent, and (c) to provide for any other matters specified in any applicable Security Document or which the Collateral Agent may reasonably require (it being agreed that the insurance in effect on the Closing Date is satisfactory). Each Credit Party will maintain any additional insurance coverage as described in the respective Security Documents. Each Credit Party shall maintain, or cause to be maintained, with an insurer reasonably acceptable to the Collateral Agent, flood insurance sufficient for Lenders to comply with Regulation H of the Board of Governors of the Federal Reserve System. Each Borrower will, and will cause each of its Subsidiaries to, furnish to the Administrative Agent on the Closing Date and thereafter, upon request of the Administrative Agent, a summary of the insurance carried.

6.04 Payment of Taxes. Each Borrower will pay and discharge, and will cause each of its Subsidiaries to pay and discharge (i) all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any

properties belonging to it, prior to the date on which penalties attach thereto, in each case that arises after the Petition Date or are the subject of a "First Day Order" and (ii) all lawful claims which, if unpaid, would become a Lien or charge upon any material properties of such Borrower or any of its Subsidiaries; provided that neither Borrower nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if being contested in good faith and by proper proceedings if it has maintained adequate reserves (in the good faith judgment of the management of the applicable Borrower) with respect thereto in accordance with GAAP.

6.05 Company Franchises. Each Borrower will do, and will cause each Subsidiary to do, or cause to be done, all things reasonably necessary to preserve and keep in full force and effect its existence and to preserve its material rights and franchises, other than those the failure to preserve which could not reasonably be expected to have a Material Adverse Effect.

6.06 Compliance with Statutes, etc. Each Borrower will, and will cause each Subsidiary to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign (including all Environmental Laws), in respect of the conduct of its business and the ownership of its property other than those the non-compliance with which is not reasonably likely to have a Material Adverse Effect.

6.07 ERISA. As soon as possible and, in any event, within 10 days after any Borrower knows or has reason to know of the occurrence of any of the following, the Borrower will deliver to each of the Lenders a certificate of the chief financial officer of such Borrower setting forth the full details as to such occurrence and the action, if any, that any Borrower, any Subsidiary or any ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed with or by any Borrower, any Subsidiary, any ERISA Affiliate, the PBGC, a Plan or Multiemployer Plan participant or the Plan administrator with respect thereto: that a Reportable Event (other than the Chapter 11 Cases) has occurred (except to the extent that a Borrower has previously delivered to the Lender a certificate and notices (if any) concerning such event pursuant to the next clause hereof); that a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably expected to occur with respect to such Plan within the following 30 days; that an accumulated funding deficiency, within the meaning of Section 412 of the Code or Section 302 of ERISA, has been incurred or an application may reasonably be expected to be or has been made for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code or Section 303 or 304 of ERISA with respect to a Plan; that any contribution required to be made with respect to a Plan or Multiemployer Plan has not been timely made; that a Plan or Multiemployer Plan has been or may reasonably be expected to be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA, where a Plan has an Unfunded Current Liability which, when added to the aggregate amount of Unfunded Current Liabilities with respect to all other Plans, exceeds the aggregate amount of Unfunded Current Liabilities that would be reasonably likely to have a Material Adverse Effect; that proceedings may reasonably be expected to be or have been instituted to

terminate or appoint a trustee to administer a Plan which is subject to Title IV of ERISA; that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Multiemployer Plan; that any Borrower, any Subsidiary or any ERISA Affiliate will or may reasonably be expected to incur any material liability (including any indirect, contingent, or secondary liability) to or on account of the termination of or withdrawal from a Plan or Multiemployer Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan under Section 401(a)(29), 4971, 4975 or 4980 of the Code or Section 409 or 502(i) or 502(1) of ERISA or with respect to a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code; or that any Borrower or any Subsidiary may incur any material liability pursuant to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) that provides benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or any Plan in addition to the liability that existed on the Closing Date pursuant to any such plan or plans. Upon request by any Lender, the Borrowers will deliver to such Lender a complete copy of the annual report (on Internal Revenue Service Form 5500- series) of each Plan (including, to the extent required, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information) required to be filed with the Internal Revenue Service. In addition to any certificates or notices delivered to the Lenders pursuant to the first sentence hereof, copies of any records, documents or other information required to be furnished to the PBGC (other than any PBGC Form 1), and any material notices received from the PBGC by any Borrower, any Subsidiary or any ERISA Affiliate with respect to any Plan or Multiemployer Plan shall be delivered to the Lender no later than 10 days after the date such records, documents and/or information has been furnished to the PBGC or such notice has been received from the PBGC by such Borrower, such Subsidiary or such ERISA Affiliate, as applicable.

6.08 Good Repair. Each Borrower will, and will cause each of its Subsidiaries to, ensure that its material properties and equipment used or useful in its business are kept in good repair, working order and condition, normal wear and tear excepted, and, subject to Section 7.05, that from time to time there are made in such properties and equipment all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner useful or customary for companies in similar businesses.

6.09 End of Fiscal Years; Fiscal Quarters; Etc. FairPoint will, for financial reporting purposes, cause (i) each of its, and each of its Subsidiaries', fiscal years and fourth fiscal quarters to end on December 31 of each year and (ii) each of its, and each of its Subsidiaries', first three fiscal quarters to end on the last day of March, June and September of each year.

6.10 Margin Stock. The Borrowers will take all actions so that at all times the fair market value of all Margin Stock owned by the Borrowers and their Subsidiaries (other than capital stock of the Borrowers held in treasury) shall not exceed $5,000,000; provided that it shall not constitute a violation of this Section 6.10 if at any time the fair market value of all Margin Stock owned by the Borrowers and their Subsidiaries (other than capital stock of the Borrowers held in treasury) exceeds $5,000,000 so long as (x) all Margin Stock owned by the Credit Parties (other than capital stock of the Borrowers held in treasury) shall be pledged, and

delivered for pledge, pursuant to the Pledge Agreement, (y) the applicable Borrower will execute and deliver to the Lenders appropriate completed forms (including, without limitation, Forms G-3 and U-1, as appropriate) establishing compliance with Regulations T, U and X of the Board of Governors of the Federal Reserve System, and (z) the Borrowers take appropriate actions so that the fair market value of all Margin Stock owned by the Borrowers and their Subsidiaries (other than capital stock of the Borrowers held in treasury) does not exceed $5,000,000 within ninety (90) days (or such longer period not to exceed one year as maybe necessary to comply with Rule 144 under the Securities Act, if applicable) of the date upon which the fair market value of the Margin Stock owned by the Borrowers and their Subsidiaries first exceeded $5,000,000. So long as the covenant contained in the text of the first sentence of this Section 6.10 preceding the proviso contained in such sentence is complied with, all Margin Stock at any time owned by the Borrowers and their Subsidiaries will not constitute Collateral and no security interest shall be granted therein pursuant to any Credit Document. If at any time any Margin Stock is required to be pledged as a result of the proviso contained in the first sentence of this Section 6.10, repayments of outstanding Obligations shall be required, and subsequent Credit Events shall be permitted, only in compliance with the applicable provisions of Regulations T, U and X of the Board of Governors of the Federal Reserve System.

6.11 Special Covenant Regarding Cash Management Policy. The Borrowers shall, and shall cause their Subsidiaries to, at all times comply with the cash management policy of FairPoint and its Subsidiaries delivered to the Administrative Agent on the Closing Date, without giving effect to any changes thereto, except to the extent such changes are not adverse to the interests of the Lenders or are otherwise required to ensure compliance with applicable law or regulation.

6.12 Maintenance of Company Separateness. (a) Each Borrower will, and will cause each of its Subsidiaries to, satisfy customary Company formalities, including, as applicable, the holding of regular board of directors' and shareholders' meetings or action by directors or shareholders without a meeting and the maintenance of Company offices and records.

(b) The Borrowers shall not permit any Non-Pledge Party Subsidiary, on the one hand, to have any rights to draw down, whether as a joint account party or otherwise, on any bank account of any Credit Party, on the other hand.

6.13 Further Assurances. Each Credit Party shall take such action and execute, acknowledge and deliver, and cause each of its Subsidiaries to take such action and execute, acknowledge and deliver, at its sole cost and expense, such agreements, instruments or other documents as the Collateral Agent may reasonably require from time to time in order (i) to carry out more effectively the purposes of this Agreement, the Financing Orders and the other Credit Documents, (ii) to obtain, maintain, continue, validate or perfect its first priority Liens on any of the Collateral or any other property of the Credit Parties, (iii) to establish and maintain the validity and effectiveness of any of the Credit Documents and the validity, perfection and priority of the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer and confirm unto the Collateral Agent for the ratable benefit of the Lenders the rights now or hereafter intended to be granted to the Collateral Agent for the ratable benefit of the Lenders under this Agreement or any other Credit Document.

6.14 Compliance with Financing Orders. Comply with the Interim Order and the Final Order, as applicable, and each of the other orders entered by the Bankruptcy Court.

6.15 Conference Calls. The Borrowers shall conduct a conference call on the first Tuesday of every month or as soon as practicable thereafter (commencing with the first such Tuesday following the Petition Date) with the Administrative Agent, the Lenders, the Financial Advisor and the "Consenting Lenders" party to the Plan Support Agreement, for the purpose of discussing, *inter alia*, the most recently delivered financial statements, the Debtors' financial performance, operations, current trends and other material events.

SECTION 7. Negative Covenants. The Borrowers hereby covenant and agree that until the Revolving Commitments have terminated, no Notes or Letters of Credit are outstanding and the Loans, together with interest, Fees and all other Obligations (other than any indemnities described in Section 11.12 which are not then owing) incurred hereunder, are paid in full:

7.01 Changes in Business. (a) The Borrowers will not permit at any time the business activities taken as a whole conducted by the Borrowers and their Subsidiaries to be materially different from the business activities taken as a whole (including incidental activities) conducted by the Borrowers and their Subsidiaries on the Closing Date (the "Business").

(b) Notwithstanding the foregoing, no Second-Tier Holdco will engage in any business or own any significant assets (other than its ownership of (x) equity interests of Subsidiaries existing on the date hereof or permitted to be created, established or acquired pursuant to the terms of this Agreement and (y) intercompany obligations owed to it and permitted to be extended by it pursuant to Section 7.06(c)) or have any liabilities (other than (x) those liabilities for which it is responsible under this Agreement and the other Credit Documents to which it is a party and (y) intercompany debt permitted to be incurred by it pursuant to Section 7.06(c)); provided that any Second-Tier Holdco may engage in those activities and incur related liabilities that are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, this Agreement and the other Credit

Documents to which it is a party.

7.02 Consolidation, Merger, Sale or Purchase of Assets, etc. The Borrowers will not, and will not permit any Subsidiary to, wind up, liquidate or dissolve its affairs, or consummate any transaction of merger or consolidation, or make any Asset Sale or purchase, lease or otherwise acquire all or any part of the property or assets of any Person (other than purchases or other acquisitions of inventory, leases, materials and equipment in the ordinary course of business) or agree to do any of the foregoing at any future time without a contingency relating to obtaining any required approval hereunder, except that the following shall be permitted:

(a) any Inactive Subsidiary may be merged or consolidated with or into, or be liquidated into, any Borrower or a Subsidiary Guarantor (so long as such Borrower or such Subsidiary Guarantor is the surviving corporation), or all or any part of its business, properties and assets may be conveyed, sold or transferred to any Borrower or any Subsidiary Guarantor;

(b) Consolidated Capital Expenditures to the extent within the limitations set forth in Section 7.05;

(c) the investments, acquisitions and transfers or dispositions of properties, shares and assets permitted pursuant to Section 7.06;

(d) any Borrower and any Subsidiary may lease (as lessee) real or personal property in the ordinary course of business (so long as such lease does not create a Capitalized Lease Obligation not otherwise permitted by Section 7.04(c));

(e) licenses or sublicenses by the Borrowers and their Subsidiaries of intellectual property in the ordinary course of business; provided, that such licenses or sublicenses shall not interfere with the business of any Borrower or any Subsidiary;

(f) leases and subleases permitted under Section 7.03(d) and (g); and

(g) a sale of assets under Section 363 of the Bankruptcy Code to the extent the Net Cash Proceeds of such sale are sufficient to pay all Loans, together with interest, Fees and all other Obligations incurred hereunder and under the other Credit Documents in full (and to cash collateralize in a manner satisfactory to the Administrative Agent, all outstanding Letters of Credit).

7.03 Liens. The Borrowers will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Borrowers or any such Subsidiary whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable or notes with recourse to the Borrowers or any of their Subsidiaries) or assign any right to receive income, except the following Liens (to the extent, with respect to a Borrower or any Subsidiary or any of its assets or properties, (x) if created, incurred or assumed by such Person on or after the Petition Date, such Liens have been approved and authorized by the Bankruptcy Court and (y) in created, incurred or assumed by such Person before the Petition Date, such Liens are valid, perfected and non-avoidable in accordance with applicable Law):

(a) Liens for taxes not yet delinquent or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Borrowers) have been established in accordance with GAAP;

(b) Liens in respect of property or assets of the Borrowers or any of their Subsidiaries imposed by law which were incurred in the ordinary course of business, such as carriers', warehousemen's and mechanics' Liens, statutory landlord's Liens, and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrowers or any of their Subsidiaries or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(c) Liens created by or pursuant to this Agreement or the other Credit Documents;

(d) Liens created pursuant to Capital Leases in respect of Capitalized Lease Obligations permitted by Section 7.04(c);

(e) Liens arising from judgments, decrees or attachments and Liens securing appeal bonds arising from judgments, in each case in circumstances not constituting an Event of Default under Section 8.09;

(f) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money);

(g) leases or subleases granted to others not interfering in any material respect with the business of any Borrower or any of its Subsidiaries;

(h) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of any Borrower or any of its Subsidiaries;

(i) Liens arising from precautionary UCC financing statement filings regarding operating leases entered into by any Borrower or any of its Subsidiaries in the ordinary course of business and statutory and common law landlords' liens under leases to which the Borrower or any of its Subsidiaries is a party;

(j) purchase money Liens securing payables arising from the purchase by any Borrower or any Subsidiary Guarantor of any equipment or goods in the normal course of business; provided that such payables shall not constitute Indebtedness;

(k) any interest or title of a lessor under any lease permitted by this Agreement; and

(l) Liens in existence on, and which are to continue in effect after, the Closing Date which are listed, and the property subject thereto described in, Annex V.

7.04 Indebtedness. The Borrowers will not, and will not permit any of their Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement and the other Credit Documents;

(b) intercompany Indebtedness permitted by Section 7.06(c);

(c) Capitalized Lease Obligations initially incurred after the Closing Date; provided that Borrowers are in compliance with Section 7.05;

(d) Indebtedness (the "Scheduled Existing Indebtedness") in existence on, and which is to continue in effect after, the Closing Date (excluding Intercompany Debt) and which is listed on Annex VI hereto, without giving effect to any subsequent extension, renewal or refinancing thereof; and

(e) Indebtedness of the Borrowers or any of their Subsidiaries which may be deemed to exist in connection with agreements providing for indemnification, purchase price adjustments and similar obligations in connection with sales of assets permitted by this Agreement (so long as any such obligations are those of the Person making the respective sale, and are not guaranteed by any other Person).

7.05 Capital Expenditures. The Borrowers will not, and will not permit any of their Subsidiaries to, incur Consolidated Capital Expenditures for each period set forth below to exceed the amount set forth below for such period:

Period	Maximum Consolidated Capital Expenditures
November 1, 2009 - November 30, 2009	$ 29,250,000
November 1, 2009 - December 31, 2009	$ 48,500,000
November 1, 2009 - January 31, 2010	$ 66,352,000
November 1, 2009 - February 28, 2010	$ 83,794,000
November 1, 2009 - March 31, 2010	$ 101,236,000
November 1, 2009 - April 30, 2010	$ 118,677,000
November 1, 2009 - May 31, 2010	$ 136,119,000
November 1, 2009 - June 30, 2010	$ 153,561,000
November 1, 2009 - July 31, 2010	$ 169,336,000
November 1, 2009 - August 31, 2010	$ 185,111,000
November 1, 2009 - September 30, 2010	$ 200,886,000
November 1, 2009 - October 31, 2010	$ 216,661,000

7.06 Advances, Investments and Loans. The Borrowers will not, and will not permit any of their Subsidiaries to, lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to any Person, or purchase or own a futures contract or otherwise become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract (each of the foregoing an "Investment" and, collectively, "Investments"), except:

(a) the Borrowers or any Subsidiary may invest in cash and Cash Equivalents;

(b) the Borrowers and any Subsidiary may acquire and hold receivables owing to them, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms and/or reasonable extensions thereof,

(c) the Borrowers and their Qualified Subsidiaries may make intercompany loans and advances between and among one another (collectively, "Intercompany Loans");

provided that (i) each such Intercompany Loan shall, at the request of the Administrative Agent be evidenced by an intercompany note which, if held by a Credit Party, shall be pledged to the Collateral Agent as, and to the extent required by, the Pledge Agreement, (ii) each Intercompany Loan made pursuant to this clause (c) shall be subject to subordination as, and to the extent required by, the Subsidiary Guaranty (giving effect to exceptions required by applicable law or regulation as contemplated thereby) and (iii) any Intercompany Loan made pursuant to this clause (c) shall cease to be permitted hereunder if the obligor or obligee thereunder ceases to be the Borrower or a Qualified Subsidiary as contemplated above;

(d) the Borrowers and each Subsidiary may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(e) Investments in existence on the Closing Date (excluding Intercompany Debt), without giving effect to any additions thereto or replacements thereof, shall be permitted; and

(f) prior to the entry of the Final Order, the Borrowers and their Subsidiaries may incur Excluded Intercompany Payables (and the Lenders, the Administrative Agent and the Borrowers agree to negotiate in good faith the terms and conditions on which intercompany receivables and payables may be incurred, settled and paid following the entry of the Final Order).

7.07 Limitation on Creation of Subsidiaries. The Borrowers will not, and will not permit any Subsidiary to, establish, create or acquire any Subsidiary.

7.08 Modifications. The Borrowers will not, and will not permit any of their Subsidiaries to:

(a) amend or modify (or permit the amendment or modification of) any provisions of any Scheduled Existing Indebtedness, in any such case other than amendments or modifications that are not in any way adverse to the interests of the Lenders; provided that in no event shall any amendment to the foregoing (i) increase the applicable interest rate, (ii) shorten the maturity date from that theretofore in effect, (iii) modify or change any subordination provisions contained therein or (iv) make any covenant more restrictive than previously existed thereunder;

(b) amend or modify (or permit the amendment or modification of) the Transition Services Agreement other than amendments or modifications related to the provision of transition services where such amendments or modifications are (i)(A) in the case of material amendments or modifications as determined by the Borrowers in their good faith judgment, furnished to the Administrative Agent no later than four Business Days after the effectiveness thereof (it being understood that compliance with Section 6.01(g) shall constitute compliance with this Section 7.08(b)(i)(A)) and (B) in the case of immaterial amendments or modifications as determined by the Borrowers in their good faith judgment, furnished to the Administrative Agent at the time of delivery of the next Compliance Certificate pursuant to Section 6.01(d) with

respect to the quarter in which such amendment became effective and (ii) not in any way materially adverse to the interests of the Lenders; and/or

(c) amend, modify or change in any manner adverse to the interests of the Lenders the organizational documents (including by-laws) of any Credit Party (including, without limitation, by the filing or modification of any certificate or articles of designation), any agreement entered into by any Borrower with respect to its capital stock, or enter into any new agreement in any manner adverse to the interests of the Lenders with respect to the capital stock of any Borrower.

7.09 Restricted Payments, Etc. (a) The Borrowers will not, and will not permit any of their Subsidiaries to, make any Restricted Payment; provided, however, that prior to the entry of the Final Order, each Subsidiary of FairPoint may continue to pay Dividends to its direct parent in the ordinary course of business consistent with past practices (and the Lenders, the Administrative Agent and the Borrowers agree to negotiate in good faith the terms and conditions on which Dividends may be paid by Subsidiaries following the entry of the Final Order).

(b) The Borrowers will not, and will not permit any of their Subsidiaries to, create or otherwise cause or suffer to exist (other than as a result of a requirement of law) any encumbrance or restriction which prohibits or otherwise restricts (A) the ability of any Subsidiary to (a) pay dividends or make other distributions or pay any Indebtedness owed to a Borrower or any Subsidiary, (b) make loans or advances to a Borrower or any Subsidiary, (c) transfer any of its properties or assets to a Borrower or any Subsidiary or (B) the ability of any Subsidiary to create, incur, assume or suffer to exist any Lien upon its property or assets to secure the Obligations, other than (for purposes of clauses (A) and (B)) prohibitions or restrictions existing under or by reason of: (i) this Agreement and the other Credit Documents; (ii) law, order, regulation, or ruling applicable to a Borrower or such Subsidiary; (iii) customary non-assignment provisions entered into in the ordinary course of business and consistent with past practices; (iv) any restriction or encumbrance with respect to a Subsidiary imposed pursuant to an agreement which has been entered into for the sale or disposition of all or substantially all of the capital stock or assets of such Subsidiary, so long as such sale or disposition is permitted under this Agreement; and (v) Liens permitted under Sections 7.03(d) and any documents or instruments governing the terms of any Indebtedness or other obligations secured by any such Liens; provided that such prohibitions or restrictions apply only to the assets subject to such Liens.

7.10 Transactions with Affiliates. The Borrowers will not, and will not permit any Subsidiary to, enter into any transaction or series of transactions after the Closing Date whether or not in the ordinary course of business, with any of its Affiliates other than on terms and conditions substantially as favorable to such Borrower or such Subsidiary as would be obtainable by such Borrower or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate; provided that the foregoing restrictions shall not apply to (i) transactions solely among Credit Parties and their 90%-Owned Subsidiaries, (ii) employment arrangements (including severance and related arrangements) entered into in the ordinary course of business with officers of the Borrowers and their Subsidiaries, (iii) customary fees paid to members of the Board of Directors of the Borrowers and of their Subsidiaries,

(iv) arrangements with directors, officers and employees not otherwise prohibited by this Agreement and (v) Restricted Payments to the extent permitted by Section 7.09(a).

7.11 Limitation On Issuance of Equity Interests. (a) The Borrowers will not, and will not permit any of their Subsidiaries to, issue (i) any Preferred Stock or any options, warrants or rights to purchase Preferred Stock or (ii) any redeemable common equity interests unless, in either case, the issuance thereof is, and all terms thereof are, satisfactory to the Required Lenders in their sole discretion.

(b) The Borrowers will not permit any of their Subsidiaries, directly or indirectly, to issue any shares of such Subsidiary's capital stock, securities or other equity interests (or warrants, rights or options to acquire shares or other equity interests), except (i) for replacements of then outstanding shares of capital stock or other equity interests and (ii) for stock splits, stock dividends and similar issuances which do not decrease the percentage ownership of the Borrowers and their Subsidiaries taken as a whole in any class of the capital stock or other equity interests of such Subsidiary and to qualify directors to the extent required by applicable law.

7.12 Minimum EBITDAR. The Borrowers will not permit Consolidated EBITDAR for each period set forth below to be less than the amount set forth below for such period:

Period		Minimum Consolidated EBITDAR
November 1, 2009 - November 30, 2009	$	16,191,000
November 1, 2009 - December 31, 2009	$	24,403,000
November 1, 2009 - January 31, 2010	$	45,609,000
November 1, 2009 - February 28, 2010	$	70,163,000
November 1, 2009 - March 31, 2010	$	90,459,000
November 1, 2009 - April 30, 2010	$	111,399,000
November 1, 2009 - May 31, 2010	$	136,644,000
November 1, 2009 - June 30, 2010	$	159,992,000
November 1, 2009 - July 31, 2010	$	186,104,000
November 1, 2009 - August 31, 2010	$	215,671,000
November 1, 2009 - September 30, 2010	$	244,190,000
November 1, 2009 - October 31, 2010	$	274,586,000

7.13 Use of Proceeds. Except as otherwise provided herein or approved by the Administrative Agent and the Required Lenders and other than for a purpose (and subject to the limitations set forth in Section 5.05, the Borrowers shall not, and shall not permit any of their Subsidiaries to, use funds for disbursements outside of the ordinary course of business (for the avoidance of doubt, funds may not be used by the Borrowers and their Subsidiaries to (i) pay any PUC fines, charges or other payments arising prior to the Petition Date or (ii) pay any management bonuses, except those explicitly provided for in the "KEIP" referred to in the "Term Sheet" annexed to the Plan Support Agreement. No portion of the Carve Out or proceeds of Loans may be used for the payment of the fees and expenses of any Person incurred challenging, or in relation to the challenge of, any liens or claims of the Prepetition Agent, the Prepetition

Lenders, the Administrative Agent, the Collateral Agent or the Lenders, or the initiation or prosecution of any claim or action against any of the foregoing or their respective advisors, agents and sub-agents, including formal discovery proceedings in anticipation thereof.

7.14 Chapter 11 Claims. The Borrowers will not, and will not permit their Subsidiaries to, incur, create, assume, suffer to exist or permit any administrative expense, unsecured claim or other Super-Priority Claim or lien which is *pari passu* with or senior to the claims or liens, as the case may be, of the Administrative Agent against the Credit Parties hereunder, or apply to the Bankruptcy Court for authority to do so, except for Specified Liens and the Carve Out.

7.15 Revision of Orders; Applications to Bankruptcy Court.

(a) The Borrowers will not, and will not permit their Subsidiaries to, seek, consent to or suffer to exist any modification, stay, vacation or amendment of the Interim Order or the Final Order, except for any modifications and amendments agreed to in writing by the Administrative Agent and the Required Lenders.

(b) The Borrowers will not, and will not permit their Subsidiaries to, apply to the Bankruptcy Court for authority to take any action prohibited by this Section 7 (except to the extent such application and the taking of such action is conditioned upon receiving the written consent of the Administrative Agent and the Required Lenders).

SECTION 8. Events of Default. Upon the occurrence of any of the following specified events (each, an "Event of Default"):

8.01 Payments. The Borrowers shall (i) default in the payment when due of any principal of the Loans or (ii) default, and such default shall continue for three or more Business Days, in the payment when due of any interest on the Loans or any Fees or any other amounts owing hereunder or under any other Credit Document; or

8.02 Representations, etc. Any representation, warranty or statement made by any Credit Party herein or in any other Credit Document or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

8.03 Covenants. Any Credit Party shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in Section 6.05, 6.09, 6.11, 6.14, 6.15 or 7, or (b) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Section 8.01, 8.02 or clause (a) of this Section 8.03) contained in this Agreement or in any other Credit Document and such default shall continue unremedied for a period of at least 20 days after written notice to the Borrowers by the Administrative Agent or the Required Lenders; or

8.04 Default Under Other Agreements. (a) Any Borrower or any of its Subsidiaries shall (i) default in any payment with respect to any Indebtedness (other than the Obligations and Indebtedness created or incurred prior to the Petition Date) beyond the period of grace, if any, applicable thereto or (ii) default in the observance or performance of any

agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, any such Indebtedness to become due prior to its stated maturity; or (b) any such Indebtedness of a Borrower or any of its Subsidiaries shall be declared to be due and payable (or shall be required to be prepaid as a result of a default thereunder or of an event of the type that constitutes an Event of Default) prior to the stated maturity thereof; provided that it shall not constitute an Event of Default pursuant to this Section 8.04 unless the aggregate principal amount of all Indebtedness referred to in clauses (a) and (b) above (without duplication) exceeds $10,000,000 in the aggregate at any one time; or

8.05 ERISA. An event which meets all of the requirements under (a), (b) and (c) of this Section: (a) Any Plan or Multiemployer Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof under Section 412 of the Code or Section 302 of ERISA or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code or Section 303 or 304 of ERISA, a Reportable Event (other than the commencement of the Chapter 11 Cases) shall have occurred, a contributing sponsor (as defined in Section 4001 (a)(13) of ERISA) of a Plan subject to Title IV of ERISA shall be subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof) and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 shall be reasonably expected to occur with respect to such Plan within the following 30 days, any Plan which is subject to Title IV of ERISA shall have had or is likely to have a trustee appointed to administer such Plan, any Plan or Multiemployer Plan which is subject to Title IV of ERISA is, shall have been or is likely to be terminated or to be the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, a contribution required to be made with respect to a Plan or Multiemployer Plan has not been timely made, any Borrower or any Subsidiary or any ERISA Affiliate has incurred or is likely to incur any liability to or on account of a Plan or Multiemployer Plan under Section 409, 502(i), 502(1), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or on account of a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code, or any Borrower or any Subsidiary has incurred or is likely to incur liabilities pursuant to one or more employee welfare benefit plans (as defined in Section 3(1) of ERISA) that provide benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or Plans; (b) there shall result from any such event or events the imposition of a lien, the granting of a security interest, or a liability or a material risk of incurring a liability; and (c) such lien, security interest or liability, individually, or in the aggregate, in the opinion of the Required Lenders, has had, or is reasonably likely to have, a Material Adverse Effect; or

8.06 Security Documents. Any Security Document shall cease to be in full force and effect, or shall cease to give the Collateral Agent the Liens, powers and privileges purported to be created thereby in favor of the Collateral Agent; or

8.07 Credit Documents. (i) Any provision of any Credit Document, at any time after its execution and delivery and for any reason other than as expressly permitted

hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Credit Party or any other Debtor contests in any manner the validity or enforceability of any provision of any Credit Document; or any Credit Party denies that it has any or further liability or obligation under any Credit Document, or purports to revoke, terminate or rescind any provision of any Credit Document; or (ii) the Subsidiary Guaranty given by the Guarantors or any provision thereof shall cease to be in full force and effect, or any Guarantor thereunder or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under its Subsidiary Guaranty, or any Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to its Subsidiary Guaranty; or

8.08 Judgments. One or more judgments or decrees shall be entered against any Borrower or any of its Subsidiaries involving a liability (to the extent not paid or covered by insurance) in excess of $20,000,000 in the aggregate for all such judgments and decrees for the Borrowers and their Subsidiaries and all such judgments and decrees in excess of such amount shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof; or

8.09 Change of Control. Any Change of Control occurs; or

8.10 Dissolution or Liquidation. Any Credit Party voluntarily or involuntarily dissolves or is dissolved, liquidates or is liquidated or files a motion with the Bankruptcy Court seeking authorization to dissolve or liquidate (except to the extent permitted by Section 7.02(a)); or

8.11 Final Order; Interim Order. The Bankruptcy Court fails to enter the Final Order within forty-five (45) days of the entry of the Interim Order (with such changes as the Administrative Agent may agree to), or the Bankruptcy Court reverses, vacates or stays the effectiveness of either the Interim Order or the Final Order; or

8.12 Certain Orders. An order with respect to any of the Chapter 11 Cases shall be entered by the Bankruptcy Court (or any of the Credit Parties shall file an application or motion for entry of an order) (i) appointing a trustee under Section 1104 of the Bankruptcy Code, (ii) appointing an examiner with enlarged powers (beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) relating to the operation of the business under Section 1106(b) of the Bankruptcy Code, or (iii) dismissing or converting the Chapter 11 Cases to a Chapter 7 case; or

8.13 Non-Compliance with any Financing Order. Any Credit Party fails or neglects to comply with any provision of any Financing Order; or

8.14 Filing of Unapproved Plan. (i) An order shall be entered by the Bankruptcy Court confirming a plan of reorganization in any of the Chapter 11 Cases which does not (x) contain a provision for the Termination of the DIP Financing on or before the effective date of such plan and (y) provide for the continuation of the Liens and priorities in favor of the Collateral Agent until such effective date, (ii) any Person shall file a plan of reorganization in any of the Chapter 11 Cases which does not (x) contain a provision for the Termination of the

DIP Financing on or before the effective date of such plan and (y) provide for the continuation of the Liens and priorities in favor of the Collateral Agent until such effective date or (iii) any Credit Party (or by any party with the support of any of the Credit Parties) shall have filed a plan of reorganization that violates this Section 8.14 in the Chapter 11 Cases; or

8.15 Entry of Unapproved Order. An order with respect to the Chapter 11 Case shall be entered by the Bankruptcy Court (i) to revoke, reverse, stay for a period in excess of ten (10) days, vacate or rescind any provision of any Financing Order, (ii) to modify, supplement or amend any provision of any Financing Order without the consent of the Administrative Agent or (iii) to permit any administrative expense or any claim (now existing or hereafter arising, of any kind or nature whatsoever) to have administrative priority as to any of the Credit Parties, equal or superior to the priority of the Lenders in respect of the Obligations, except for allowed administrative expenses having priority over the Obligations only to the extent set forth in the definition of Carve Out, or (iv) to grant or permit the grant of a Lien on the Collateral (other than a Permitted Lien) or (v) an order shall be entered by the Bankruptcy Court dismissing the Chapter 11 Cases which does not contain a provision for the Termination of the DIP Financing upon such dismissal; or

8.16 Relief from the Automatic Stay. The Bankruptcy Court enters an order or orders granting relief from the automatic stay applicable under Section 362 of the Bankruptcy Code for any reason to any Person with respect to assets of any Credit Party where the aggregate value of the property subject to all such order or orders is greater than $10,000,000; or

8.17 Unenforceability of the Interim Order, Final Order or Credit Documents. Any provision of the Interim Order, the Final Order, this Agreement or any other Credit Document shall for any reason cease to be valid or binding or enforceable against any of the Credit Parties (other than, in the case of the Interim Order, by virtue of the Final Order superseding it), or any of the Credit Parties shall so state in writing; or any of the Credit Parties shall commence or join in any legal proceeding to contest in any manner that the Interim Order, the Final Order, this Agreement or any other Loan Document constitutes a valid and

enforceable agreement or any of the Credit Parties shall commence or join in any legal proceeding to assert that it has no further obligation or liability under the Interim Order, the Final Order, this Agreement or any other Credit Document; or

8.18 Motion against the Lenders or the Prepetition Agent. Any of the Credit Parties shall seek to, or shall support (whether by way of motion or other pleadings filed with the Bankruptcy Court or any other writing executed by any Credit Party or by oral argument) any other Person's motion to, (1) disallow in whole or in part any of the Obligations arising under this Agreement or any other Credit Document, (2) disallow in whole or in part any of the Indebtedness owed by the Credit Parties under the Prepetition Credit Agreement or any other "Credit Document" (as defined in the Prepetition Credit Agreement), (3) challenge the validity and enforceability of the Liens or security interests granted under any of the Credit Documents or in any Financing Order in favor of the Collateral Agent or (4) challenge the validity and enforceability of the Liens or security interests granted under the Prepetition Credit Agreement and related documents or in any Financing Order in favor of the Prepetition Agent or Prepetition Lenders; or

8.19 Prohibited Payment. Any of the Credit Parties shall make any payment (as adequate protection or otherwise), or application for authority to pay, on account of any claim or Indebtedness arising prior to the Petition Date other than those payments in respect of "adequate protection obligations" permitted pursuant to the terms of the Financing Orders and payments authorized by the Bankruptcy Court in respect of (x) any such payments required and/or permitted in the "First Day Orders" reasonably satisfactory to the Administrative Agent, (y) accrued payroll and related expenses as of the Petition Date or (z) payments of cure amounts expressly permitted by the provisions of Section 5.05(a); or

8.20 Other Bankruptcy Matters. (i) An order shall have been entered modifying the adequate protection obligations granted in any Financing Order without the prior written consent of the Administrative Agent, (ii) an order shall have been entered by the Bankruptcy Court avoiding or requiring disgorgement by the Administrative Agent or any of the Lenders of any amounts received in respect of the Obligations, (iii) a motion or other request shall be filed with the Bankruptcy Court seeking authority to use any cash proceeds of any of the Collateral without the consent of the Required Lenders and the Administrative Agent or (iv) any Debtor shall file a motion or other request with the Bankruptcy Court seeking any financing under Section 364(d) of the Bankruptcy Code secured by any of the Collateral that does not require the Termination of the DIP Financing; or

8.21 Failure to Conduct Business. If any Credit Party is enjoined, restrained or in any way prevented by court order (other than an order of the Bankruptcy Court approved by the Required Lenders) from continuing to conduct all or any material part of its business affairs; or

8.22 Failure to File Plan. The Borrowers shall fail to (a) file, within forty-five (45) days after the Petition Date, a plan of reorganization in the Chapter 11 Cases that contains a provision for the Termination of the DIP Financing on the date of effectiveness of such plan and (b) obtain entry of a confirmation order from the Bankruptcy Court with respect to a plan of reorganization in the Chapter 11 Cases that contains a provision for the Termination of the DIP Financing by July 31, 2010;

then, and in any such event, and at any time thereafter, notwithstanding the provisions of Section 362 of the Bankruptcy Code, but subject to the Financing Orders, if any Event of Default shall then be continuing, the Administrative Agent may, or upon the written request of the Required Lenders, shall, take any or all of the following actions, without further order of or application to the Bankruptcy Court and without prejudice to the rights of the Administrative Agent, any Letter of Credit Issuer or any Lender to enforce its claims against any Credit Party, except as otherwise specifically provided for in this Agreement: (i) declare the Total Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately and any Fees shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and all Obligations owing hereunder (including Unpaid Drawings) to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; (iii) enforce, as Collateral Agent (or direct the Collateral Agent to enforce), any and all of the Liens and rights created pursuant the Security Documents; (iv) terminate any Letter of Credit which may be terminated in accordance

with its terms; (v) direct the Borrowers to pay (and the Borrowers hereby agree upon receipt of such notice they will pay) to the Collateral Agent at the Payment Office such additional amounts of cash and/or Cash Equivalents, to be held in a cash collateral account as security for the Borrowers' reimbursement obligations in respect of Letters of Credit then outstanding equal to the aggregate Stated Amount of all Letters of Credit then outstanding (less any amount thereof as to which Section 1A.01(c) Arrangements are in place); and (vi) apply any cash collateral held by the Administrative Agent as provided in Section 3.02(A)(a) to the repayment of the Obligations; provided, that with respect to items (iii) and (vi) above, the Administrative Agent shall provide the Borrowers (with a copy to counsel for any Committee appointed in the Chapter 11 Cases and the United States Trustee for the Southern District of New York with five (5) Business Days prior written notice.

Upon the occurrence and during the continuance of an Event of Default, the automatic stay arising pursuant to Bankruptcy Code Section 362 shall be vacated and terminated in accordance with the Interim Order or the Final Order, as applicable, so as to permit the Administrative Agent, the Collateral Agent and the Lenders full exercise of all of their rights and remedies based on the occurrence of an Event of Default, including, without limitation, all of their rights and remedies with respect to the Collateral. With respect to the Administrative Agent's, the Collateral Agent's and Lenders' exercise of their rights and remedies, the Credit Parties agree, waive and, release, and shall be enjoined from attempting to contest, delay, or otherwise dispute the exercise by the Administrative Agent, the Collateral Agent and the Lenders of their rights and remedies before the Bankruptcy Court or otherwise.

SECTION 9. Definitions. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular number the plural and in the plural the singular:

"Adjusted Total Available Revolving Commitment" shall mean, at any time, the Total Revolving Commitment at such time less the aggregate Available Revolving Commitments of all Defaulting Lenders at such time.

"Administrative Agent" shall have the meaning provided in the first paragraph of this Agreement and shall include any successor to the Administrative Agent appointed pursuant to Section 10.10.

"Affected Loans" shall have the meaning provided in Section 3.02(B).

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power (i) to vote 10% or more of the securities having ordinary voting power for the election of directors (or equivalent governing body) of such Person or (ii) to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Credit Agreement, as modified, amended, restated and/or supplemented.

"Approved Electronic Platform" shall have the meaning provided in Section 10.13(a).

"Arranger" shall mean Banc of America Securities LLC, in its capacity as sole lead arranger.

"Asset Sale" shall mean and include (x) the sale, transfer or other disposition by any Borrower or any Subsidiary to any Person of any asset of such Borrower or such Subsidiary (other than sales, transfers or other dispositions (i) in the ordinary course of business of inventory and/or obsolete or excess equipment no longer needed in the conduct of its business or (ii) of assets having an aggregate fair value (as determined by the board of directors of FairPoint in its reasonable business judgment) of less than $5,000,000) and/or (y) the receipt by any Borrower or any Subsidiary of any insurance, condemnation or similar proceeds in connection with a casualty or taking of any of its assets in excess of the costs incurred by any Borrower and its Subsidiaries in respect of such event and of repairing or replacing the assets so damaged, destroyed or taken.

"Assignment Agreement" shall mean the Assignment Agreement in the form of Exhibit F (appropriately completed).

"Authorized Officer" shall mean, with respect to (i) delivering Notices of Borrowing, Notices of Conversion/Continuation, Letter of Credit Applications and similar notices, any officer or officers of a Borrower that has or have been authorized by the board of directors of such Borrower to deliver such notices pursuant to this Agreement and that has or have appropriate signature cards on file with the Administrative Agent; (ii) delivering financial information and officer's certificates pursuant to this Agreement, the chief executive officer, the president, any vice president, the chief financial officer, any treasurer or any controller of the applicable Borrower; and (iii) any other matter in connection with this Agreement or any other Credit Document, any officer (or a person or persons so designated by any two officers) of the applicable Borrower.

"Available Revolving Commitment" of any Lender at any time shall mean its Percentage of the Total Revolving Commitment at such time.

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto.

"Bankruptcy Court" shall have the meaning provided in the recitals to this Agreement.

"Base Rate" at any time shall mean the highest of (i) the rate which is 1/2 of 1% in excess of the Federal Funds Effective Rate, (ii) the Prime Lending Rate and (iii) the Eurodollar Rate for a one-month interest period as determined by the Administrative Agent at such time plus 1%.

"Base Rate Loan" shall mean each Loan bearing interest at the rates provided in Section 1.08(a).

"Base Rate Margin" shall mean 3.50%.

"Borrower" and "Borrowers" shall have the meanings provided in the first paragraph of this Agreement.

"Borrowing" shall mean the incurrence of Base Rate Loans or Eurodollar Loans by a Borrower from the Lenders on a pro rata basis on a given date (or resulting from conversions on a given date), having in the case of Eurodollar Loans the same Interest Period; provided that (x) Base Rate Loans incurred pursuant to Section 1.10(b) shall be considered part of any related Borrowing of Eurodollar Loans.

"Budget" shall have the meaning provided in Section 4.01(g).

"Business" shall have the meaning provided in Section 7.01(a).

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which shall be in the City of New York a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in Dollar deposits in the interbank Eurodollar market.

"Capital Lease" as applied to any Person shall mean any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"Capitalized Lease Obligations" shall mean all obligations under Capital Leases of the Borrowers or any of their Subsidiaries in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Carrier Services" shall mean the resale of long distance services.

"Carrier Services Company" shall mean any Subsidiary of a Borrower that is an operating company engaged in the Carrier Services business.

"Carve Out" shall mean, collectively, (1) in the event of the occurrence and during the continuance of an Event of Default, the payment of allowed and unpaid fees and disbursements of Professionals after the date of such Event of Default (and regardless of when such fees and expenses become allowed by order of the Bankruptcy Court), in an aggregate amount not in excess of $7,500,000 (plus all unpaid professional fees and expenses allowed by the Bankruptcy Court that were incurred prior to the occurrence of such Event of Default (regardless of when allowed by the Bankruptcy Court)) and (2) the payment of fees pursuant to 28 U.S.C. § 1930. Notwithstanding the foregoing, so long as no Event of Default shall have occurred and by continuing, the Credit Parties shall be permitted to pay compensation and

reimbursement of fees and expenses allowed and payable under Sections 328, 330 and 331 of the Bankruptcy Code, and as the same may be due and payable, and the same shall not reduce the Carve Out.

"Cash Equivalents" shall mean (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) Dollar denominated certificates of deposit, time deposits, bankers acceptances, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of not less than $350,000,000; (c) commercial paper of an issuer rated at least A-2 by Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc. ("S&P") or P-2 by Moody's Investors Service, Inc. ("Moody's"), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within 270 days from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities (including tax-exempt debt obligations) with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A2 by Moody's (or publicly traded or open-ended bond funds that invest exclusively in such securities); (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; (g) Dollar denominated debt obligations of corporations maturing within 12 months from the date of the acquisition rated at least A by S&P or A2 by Moody's; (h) shares of bond funds rated at least A by S&P or A2 by Moody's having weighted average maturities of 12 months or less; and (i) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (h) of this definition.

"Cash Proceeds" shall mean, with respect to any Asset Sale, the aggregate cash payments (including any cash received by way of deferred payment pursuant to a note receivable issued in connection with such Asset Sale, other than the portion of such deferred payment constituting interest, but only as and when so received) received by the Borrower(s) and/or any Subsidiary from such Asset Sale.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. § 9601 et seq.

"Change of Control" shall mean at any time and for any reason (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successor provision) is or becomes the "beneficial owner" (as defined in Sections 13(d) and 14(d) of the Exchange Act or any successor provision) on a fully diluted basis of more than 35%

of the total voting interest in the capital stock of FairPoint or (ii) during any period of two consecutive years individuals who at the beginning of such period constituted the Board of Directors of FairPoint (together with any new directors whose election by such Board of Directors or whose nomination for election by the stockholders of FairPoint was approved by a vote of a majority of the directors of FairPoint then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of FairPoint then in office or (b) a "change of control" or similar event shall occur as provided in, on and after the execution, delivery and/or incurrence thereof, any agreements or instruments relating to any Permitted Junior Capital (as defined in the Prepetition Credit Agreement) or any agreement governing or evidencing any material Indebtedness of FairPoint.

"Chapter 11 Case" and "Chapter 11 Cases" shall have the meanings provided in the recitals to this Agreement.

"Closing Date" shall mean October 30, 2009.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect at the date of this Agreement and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall mean all of the "Collateral" as defined in the Security Documents.

"Collateral Agent" shall mean Bank of America, N.A. in its capacity as collateral agent for the Lenders, together with any successor collateral agent.

"Company" shall mean any corporation, limited liability company, partnership or other business entity (or the adjectival form thereof, where appropriate).

"Compensated Absence Adjustment" shall mean, for any year in which annual vacation expense is not recognized evenly over the course of that year, the normalization of the annual vacation expense such that the annual vacation expense is recognized evenly over the course of that year.

"Compliance Certificate" shall have the meaning set forth in Section 6.01(e).

"Consolidated Capital Expenditures" shall mean, for any period, the aggregate of all cash expenditures (including in all events all amounts borrowed for the acquisition, repair, improvement, substitution or replacement of any capital asset and all amounts expended under Capital Leases but excluding any amount representing capitalized interest) by FairPoint and its Subsidiaries during that period that, in conformity with GAAP, are or are required to be capitalized or otherwise included in the property, plant or equipment reflected in the consolidated balance sheet of FairPoint and its Subsidiaries; provided that Consolidated Capital Expenditures shall in any event exclude amounts expended with insurance proceeds from the loss of or damage to property, plant or equipment or other capitalized assets reflected in the balance sheet of FairPoint and its Subsidiaries.

"Consolidated EBITDAR" shall mean, for any period, Operating EBITDA for such period adjusted by adding thereto an amount equal to the sum, without duplication of: (i) professional fees for advisors, legal counsel and US Trustee fees paid for by the Borrowers, whether or not on behalf of the Borrowers (ii) Non-Cash Stock Based Compensation, (iii) KEIP/Stay Bonus, (iv) regulatory penalties, whether impacting revenue or expense, pursuant to regulatory commitments for service quality indices and broadband availability, provided that the aggregate amount added back pursuant to this clause (iv) shall not exceed $29,500,000, (v) Pension expenses, (vi) OPEB expenses and (viii) Compensated Absence Adjustment.

"Consolidated Interest Expense" shall have the meaning provided in the Prepetition Credit Agreement.

"Consolidated Net Income" shall have the meaning provided in the Prepetition Credit Agreement.

"Contingent Obligations" shall mean as to any Person any obligation of such Person guaranteeing or intending to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated maximum of the Contingent Obligation or, if none, the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if there is no stated or determinable amount of the primary obligation, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Credit Documents" shall mean this Agreement, the Notes, the Financing Orders, the Pledge Agreement, the Security Agreement, the Subsidiary Guaranty, and any other agreements, instruments and documents heretofore, now or hereafter evidencing, securing, guaranteeing or otherwise relating to the Obligations (including, without limitation, the letter agreement, dated October 25, 2009, among FairPoint, Bank of America, N.A. and Banc of America Securities LLC), the Collateral or any other aspect of the transactions contemplated by this Agreement.

"Credit Event" shall mean the making of a Loan or the issuance of a Letter of Credit.

"Credit Party" shall mean FairPoint and each Subsidiary of FairPoint party to a Credit Document.

"Debtors" shall have the meaning provided in the Interim Order.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Default Rate" shall mean a fluctuating per annum interest rate at all times equal to the sum of (a) the otherwise applicable Interest Rate plus (b) two percent (2%) per annum. In addition, the Default Rate shall result in an increase in the otherwise applicable Letter of Credit Fee by two percentage points per annum.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect; provided, however, that notwithstanding the foregoing, LCPI shall not be considered a Defaulting Lender by virtue of the fact that it suffered a Distress Event prior to the Closing Date.

"Disqualified Preferred Stock" shall mean any Preferred Stock of the Borrower (other than Qualified Preferred Stock), all terms and conditions of which (including covenants, defaults, remedies, redemption provisions, maturity, voting provisions, dividend rate and cash-pay limitations), and the documentation therefor, are on market terms for a placement of preferred equity securities and are otherwise reasonably satisfactory to the Administrative Agent.

"Distress Event" means, with respect to any Person (each, a "Distressed Person"), a voluntary or involuntary case with respect to such Distressed Person under the Bankruptcy Code or any similar bankruptcy laws of its jurisdiction of formation, or a custodian, conservator, receiver or similar official is appointed for such Distressed Person or any substantial part of such Distressed Person's assets, or such Distressed Person or any Person that directly or indirectly controls such Distressed Person is subject to a forced liquidation, merger, sale or other change of control supported in whole or in part by guaranties or other support of (including without limitation the nationalization or assumption of ownership or operating control by) the U.S. government or other governmental authority, or such Distressed Person makes a general assignment for the benefit of creditors or is otherwise adjudicated as, or determined by any governmental authority having regulatory authority over such Distressed Person or its assets to be, insolvent, bankrupt, or deficient in meeting any capital adequacy or liquidity standard of any governmental authority applicable to such Distressed Person.

"Dividend" shall mean, as to any Person, the declaration or payment of any dividends (other than dividends payable solely in capital stock or other equity interests of such Person) or return of any capital to, its stockholders, members and/or other owners or the authorization or the making of any other distribution, payment or delivery of property or cash to its stockholders, members and/or other owners as such, or the redemption, retirement, purchase or other acquisition, directly or indirectly, for a consideration, of any shares of any class of its capital stock or other ownership interests now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or the setting aside of any funds for any of the foregoing purposes, or the purchase or other acquisition by any Subsidiary

of such Person for consideration of any shares of any class of the capital stock or other ownership interests of the Borrower or any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock or other ownership interests).

"Dollars" and the sign "$" shall each mean freely transferable lawful money of the United States.

"Domestic Subsidiary" of any Person shall mean any Subsidiary of such Person incorporated or organized in the U.S.

"Eligible Transferee" shall mean and include a commercial bank, a financial institution, a fund that regularly invests in bank loans or any other institutional "accredited investor" as defined in SEC Regulation D.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations (other than internal reports prepared by the Borrowers or any of their Subsidiaries solely in the ordinary course of such Person's business and not in response to any third party action or request of any kind) or proceedings relating to any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any applicable federal, state, foreign or local statute, law, rule, regulation, ordinance, code and rule of common law now or hereafter in effect and in each case as amended, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, relating to the environment or Hazardous Materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 7401 et seq.; the Clean Air Act, 42 U.S.C. § 2601 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300F et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq.; and any applicable state and local or foreign counterparts or equivalents.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) which together with a Borrower or a Subsidiary would be deemed to be a "single employer" within the meaning of Section 414(b) or (c) of the Code and with respect to Sections 412 and

4971 of the Code and Section 302 of ERISA, Section 414(b), (c), (m) or (o) of the Code; provided that, solely for the purposes of Section 6.07 of this Agreement, the term "ERISA Affiliate" shall not include Verizon Communications Inc. or members of its controlled group under Code § 414, except for Spinco.

"Eurodollar Loans" shall mean each Loan bearing interest at the rates provided in Section 1.08(b).

"Eurodollar Margin" shall mean 4.50%.

"Eurodollar Rate" shall mean with respect to each Interest Period for a Eurodollar Loan (i) the offered quotation to first-class banks in the interbank Eurodollar market by the Administrative Agent for dollar deposits of amounts in same day funds comparable to the outstanding principal amount of the Eurodollar Loans for which an interest rate is then being determined with maturities comparable to the Interest Period to be applicable to such Eurodollar Loans, determined as of 10:00 A.M. (New York time) on the date which is two Business Days prior to the commencement of such Interest Period divided (and rounded upward to the next whole multiple of 1116 of 1%) by (ii) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D).

"Event of Default" shall have the meaning provided in Section 8.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Intercompany Payables" shall mean (i) any intercompany payable incurred in the ordinary course of business consistent with past practices by FairPoint or any of its Wholly-Owned Subsidiaries and owing to FairPoint or a Wholly-Owned Subsidiary of FairPoint, as applicable, and (ii) any payable owing by a Subsidiary of FairPoint to its parent company (if FairPoint or another Subsidiary of FairPoint) arising in connection with the tax sharing arrangements entered into among FairPoint and its Subsidiaries, so long as the amount of such payable relates to the taxes attributable to the operations of such Subsidiary.

"Existing Letter of Credit" shall have the meaning provided in Section 1A.01(d).

"Facing Fee" shall have the meaning provided in Section 2.01(d).

"FairPoint" shall have the meaning provided in the first paragraph of this Agreement.

"FairPoint Carrier Services" shall mean FairPoint Carrier Services, Inc. (formerly known as FairPoint Communications Solutions, Inc.), a Wholly-Owned Subsidiary of the Borrower.

"FCC" shall mean the Federal Communications Commission and any successor regulatory body.

"Federal Funds Effective Rate" shall mean for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to, or referred to in, Section 2.01.

"Final Order" shall mean the order or judgment of the Bankruptcy Court as entered on the docket of the Bankruptcy Court approving this Agreement and the other Credit Documents, in form and substance satisfactory to the Administrative Agent and the Required Lenders, which order or judgment is in effect and not stayed, and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceeding for reargument or rehearing shall then be pending, or, if pending, no stay pending appeal shall have been granted.

"Financial Advisor" shall mean FTI Consulting, Inc., and its successors.

"Financing Orders" shall mean, collectively, the Interim Order and the Final Order.

"First-Tier Subsidiary" shall mean FairPoint Broadband, Inc., MJD Ventures, Inc., MJD Services Corp., STE, FairPoint Carrier Services, Inc., FairPoint Logistics, Inc., Enhanced Communications of Northern New England Inc. and Northern New England. Telephone Operations LLC and any other Subsidiary first acquired or created after the Closing Date that is a direct

Subsidiary of FairPoint. Notwithstanding the foregoing, for purposes of clarity, neither Enhanced Communications of Northern New England Inc. nor Northern New England Telephone Operations, LLC shall be Subsidiary Guarantors hereunder.

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect on the date of this Agreement; it being understood and agreed that determinations in accordance with GAAP for purposes of Section 7, including defined terms as used therein, are subject (to the extent provided therein) to Section 11.07(a).

"Hazardous Materials" shall mean (a) petroleum or petroleum products, radioactive materials, asbestos in any form that is friable, urea formaldehyde foam insulation, and radon gas; (b) any chemicals, materials or substance defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous substances," restricted hazardous waste," "toxic substances," "toxic pollutants," "contaminants," or "pollutants," or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the release of which is prohibited, limited or regulated by any governmental authority.

"Impacted Lender" means any Lender (a) that has given verbal or written notice to the Administrative Agent or any Lender or has otherwise publicly announced that such Lender

believes it will become, or that fails following inquiry promptly to provide to the Administrative Agent or a Letter of Credit Issuer making such inquiry reasonably satisfactory assurance that such Lender will not become, a Defaulting Lender, (b) as to which the Administrative Agent or a Letter of Credit Issuer has a good faith belief that such Lender has defaulted more than once in fulfilling its funding obligations (as a lender, letter of credit issuer or issuer of bank guarantees and including, but not limited to, funding or paying when due loan requests, swingline participations, letter of credit participations, pro rata sharing obligations and expense and indemnification obligations) under any other syndicated credit facility and such Lender shall not have provided assurances satisfactory to the Administrative Agent and Letter of Credit Issuer that despite such defaults such Lender will not become a Defaulting Lender hereunder, or (c) with respect to which any Distress Event has occurred with respect to any Affiliate of such Lender that directly or indirectly controls such Lender; provided, however, that notwithstanding the foregoing, LCPI shall not be considered an Impacted Lender (x) by virtue of the fact that a Distress Event has occurred prior to the Closing Date with respect to it or certain of its Affiliates or (y) by operation of clause (b) of this definition.

"Inactive Subsidiary" shall mean each Subsidiary listed on Annex XII.

"Indebtedness" of any Person shall mean, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) the deferred purchase price of assets or services which in accordance with GAAP would be shown on the liability side of the balance sheet of such Person, (iii) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder, (iv) all indebtedness of a second Person secured by any Lien on any property owned by such first Person, whether or not such indebtedness has been assumed (to the extent of the fair market value of such property), (v) all Capitalized Lease Obligations of such Person, (vi) all obligations of such Person to pay a specified purchase price for goods or services whether or not delivered or accepted, i.e., take-or-pay and similar obligations, (vii) all net obligations of such Person under Interest Rate Agreements and (viii) all Contingent Obligations of such Person (other than Contingent Obligations arising from the guaranty by such Person of the obligations of the Borrowers and/or their Subsidiaries to the extent such guaranteed obligations do not constitute Indebtedness and are otherwise permitted hereunder); provided that Indebtedness shall not include trade payables, accrued expenses and receipt of progress and advance payments, in each case arising in the ordinary course of business.

"Indemnified Person" shall have the meaning provided in Section 11.01(a).

"Intercompany Debt" shall mean any Indebtedness, payables or other obligations (other than prior to the entry of the Final Order, Excluded Intercompany Payables), whether now existing or hereafter incurred, owed by a Borrower or any Subsidiary of a Borrower to a Borrower or any other Subsidiary of a Borrower.

"Intercompany Loans" shall have the meaning provided in Section 7.06(c).

"Interest Period" with respect to any Eurodollar Loan shall mean the interest period applicable thereto, as determined pursuant to Section 1.09.

"Interest Rate" shall mean each or any of the interest rates, including. to the extent applicable, the Default Rate, set forth in Section 1.08.

"Interest Rate Agreement" shall mean any interest rate swap agreement, any interest rate cap agreement, any interest rate collar agreement or other similar agreement or arrangement designed to protect a Borrower or any Subsidiary against fluctuations in interest rates.

"Interim Order" shall mean the order or judgment of the Bankruptcy Court as entered on the docket of the Bankruptcy Court with respect to the Chapter 11 Cases substantially in the form of Exhibit E hereto, approving, *inter alia*, this Agreement and the other Credit Documents, and (a) authorizing the incurrence by the Credit Parties of the post-petition secured indebtedness in accordance with this Agreement, and (b) approving the payment by the Credit Parties of the Fees contemplated by this Agreement and the other Credit Documents.

"Intermediary Holding Company" shall mean each First-Tier Subsidiary that is (i) not an operating company (but that owns directly or indirectly one or more operating companies) and (ii) not subject to regulatory restrictions on borrowings or issuances of guaranties of indebtedness for borrowed money.

"Investment" shall have the meaning provided in the preamble to Section 7.06.

"KEIP/Stay Bonus" shall have the meaning provided in Section 7.13(ii).

"LCPI" shall mean Lehman Commercial Paper Inc. and its Affiliates.

"Lender" shall mean each financial institution listed on Annex I, as well as any Person that becomes a "Lender" hereunder pursuant to Section 1.13 or 11.04(b).

"Lender Default" shall mean (i) the wrongful refusal (which has not been retracted) or failure of a Lender to make available its portion of any incurrence of Loans or a reimbursement of an Unpaid Drawing, (ii) a Lender having notified the Administrative Agent and/or the Borrowers that it does not intend to comply with the obligations under Section 1.01 or 1A.05, in circumstances where such non-compliance will constitute a breach of such Lender's obligations under the respective Section, or (iii) any Distress Event has occurred after the Closing Date with respect to such Lender.

"Lender Register" shall have the meaning provided in Section 11.15.

"Letter of Credit" shall have the meaning provided in Section 1A.01(a).

"Letter of Credit Application" shall mean an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the Letter of Credit Issuer.

"Letter of Credit Fee" shall have the meaning provided in Section 2.01(c).

"Letter of Credit Issuer" shall mean Bank of America, N.A.

"Letter of Credit Outstandings" shall mean, at any time, the sum of, without duplication, (i) the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the aggregate amount of all Unpaid Drawings in respect of all Letters of Credit.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof).

"Loan" shall have the meaning provided in Section 1.01.

"Logistics" shall have the meaning provided in the first paragraph of this Agreement.

"Margin Stock" shall have the meaning provided in Regulation U.

"Material Adverse Effect" shall mean (i) any state of facts, change, development, event, effect, condition or occurrence that, individually or in the aggregate, has had or would be reasonably likely to have a materially adverse effect on the business, assets, properties, liabilities or condition (financial or otherwise) of the Borrowers and their Subsidiaries, taken as a whole, after giving effect to the Transaction, (ii) a material adverse effect on the rights or remedies of the Agents or the Lenders under any Credit Document or (iii) a material adverse effect on the ability of the Credit Parties taken as a whole to perform their obligations under the Credit Documents.

"Maturity Date" shall mean July 26, 2010, which date may, at the request of the Borrowers and subject to the prior written consent of the Required Lenders, be extended by up to three months (provided that the Credit Parties shall not be required to pay a fee to the Lenders in connection with any such three month extension).

"Minimum Borrowing Amount" shall mean (i) in the case of Base Rate Loans, $500,000 and (ii) in the case of Eurodollar Loans, $500,000.

"Moody's" shall have the meaning provided in the definition of "Cash Equivalents".

"Multiemployer Plan" shall mean any multiemployer plan as defined in section 4001(a)(3) of ERISA which is contributed to by (or to which there is an obligation to contribute of) a Borrower or any of its Subsidiaries or an ERISA Affiliate and each such plan for the five year period immediately following the latest date on which a Borrower, any such Subsidiary or ERISA Affiliate contributed to or had an obligation to contribute to such plan.

"Net Cash Proceeds" shall mean (i) with respect to any Asset Sale, the Cash Proceeds resulting therefrom net (without duplication) of expenses of sale (including payment of principal, premium and interest of Indebtedness secured by the assets the subject of the Asset Sale and required to be, and which is, repaid under the terms thereof as a result of such Asset Sale), and incremental taxes paid or payable as a result thereof and (ii) with respect to any issuance of Preferred Stock or Indebtedness, the cash proceeds received by the Borrower from such issuance net (without duplication) of underwriting discounts and commissions, private

placement and/or initial purchaser fees and other reasonable fees and expenses associated therewith.

"New Lending Office" shall mean the new lending office designated by a Lender that is not a United States person (as defined in Section 3.05).

"90%-Owned Subsidiary" shall mean (i) any Subsidiary to the extent at least 90% of the capital stock or other ownership interests in such Subsidiary is owned directly or indirectly by FairPoint and (ii) STE, to the extent at least 87.5% of the capital stock of STE is owned directly or indirectly by FairPoint.

"Non-Cash Stock Based Compensation" shall mean the non-cash expense resulting from the issuance of restricted shares, stock options and other amounts under the Plans set forth on Annex VIII.

"Non-Defaulting Lender" shall mean a Lender that is not a Defaulting Lender.

"Non-Pledge Party Subsidiary" shall mean each Subsidiary of a Borrower which is not a Pledge Party.

"Non-Pledged Subsidiary" shall mean any Subsidiary that is not a Pledged Subsidiary.

"Non-Wholly Owned Subsidiary" shall mean, as to any Person, each Subsidiary of such Person which is not a Wholly-Owned Subsidiary of such Person.

"Northern New England Business" means that certain business comprising the local exchange businesses and related landline activities of Verizon Communications Inc. in Maine, New Hampshire and Vermont, as such term is used in the Rule 424(b) Prospectus filed with the SEC in connection with the Merger.

"Note" shall have the meaning provided in Section 1.05(a).

"Notice of Borrowing" shall have the meaning provided in Section 1.03(a).

"Notice of Conversion/Continuation" shall have the meaning provided in Section 1.06.

"Notice Office" shall mean such office of the Administrative Agent as the Administrative Agent may designate to the Borrowers in writing from time to time.

"Obligations" shall mean all advances to, and debts, liabilities, obligations, covenants and duties of, any Credit Party arising under this Agreement or any other Credit Document or otherwise with respect to any Loan or Letter of Credit, including those in respect of Letter of Credit Outstandings, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest, expenses, costs and fees that accrue before and after the Closing Date. Any reference in this Agreement or in any other Credit Document to the Obligations shall include all

or any portion thereof and any extensions, modifications, renewals or alterations thereto. "Obligation" means any part of the Obligations.

"Operating EBITDA" shall mean, for any period, Consolidated Net Income for such period adjusted by (A) adding thereto, an amount equal to the sum, without duplication (but only to the extent deducted in determining Consolidated Net Income for such period), of: (i) provisions for taxes based on income, (ii) Consolidated Interest Expense, (iii) amortization and depreciation expense, (iv) losses on sales of assets (excluding sales in the ordinary course of business) and other extraordinary losses, (v) any other non-cash charges (including non-cash costs arising from implementation of SFAS 106 and SFAS 109) accrued by FairPoint and its Subsidiaries during such period (except to the extent any such charge will require a cash payment in a future period), (vi) fees arising out of this Transaction, and (vii) deposits or prepayments to certain vendors as a result of the bankruptcy and (B) subtracting therefrom, an amount equal to the sum, without duplication (but only to the extent included in determining Consolidated Net Income for such period), of: (i) gains on sales of assets (excluding sales in the ordinary course of business) and other extraordinary gains and (ii) all non-cash gains and non-cash income accrued by FairPoint and its Subsidiaries during such period, all as determined for FairPoint and its Subsidiaries on a consolidated basis in accordance with GAAP. For the avoidance of doubt, it is understood and agreed that, to the extent any net income (or loss) of any Subsidiary is excluded from the calculation of Consolidated Net Income in accordance with the definition thereof contained herein, any add-backs to, or deductions from, Consolidated Net Income in determining Operating EBITDA as provided above shall be calculated in a fashion consistent with the limitations and/or exclusions provided in the definition of Consolidated Net Income contained herein.

"Participant" shall have the meaning provided in Section 1A.05(a).

"Patriot Act" shall mean the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

"Payment Office" shall mean such office of the Administrative Agent as the Administrative Agent may designate to the Borrowers and the Lenders in writing from time to time.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Percentage" shall mean at any time for each Lender, the percentage obtained by dividing such Lender's Revolving Commitment by the Total Revolving Commitment; provided that if the Total Revolving Commitment has been terminated, the Percentage of each Lender shall be determined by dividing such Lender's Revolving Commitment immediately prior to such termination by the Total Revolving Commitment immediately prior to such termination.

"Permitted Liens" shall mean Liens described in clauses (a) through (l), inclusive, of Section 7.03.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Petition Date" shall have the meaning provided in the recitals to this Agreement.

"Plan" shall mean any pension plan as defined in Section 3(2) of ERISA (other than a multiemployer plan as defined in Section 3(37) of ERISA), which is maintained or contributed to by (or to which there is an obligation to contribute of) any Borrower or any of its Subsidiaries or an ERISA Affiliate and that is subject to Title IV of ERISA, and each such plan for the five year period immediately following the latest date on which such Borrower, any such Subsidiary of a Borrower or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan.

"Plan Support Agreement" shall have the meaning provided in Section 4.01(h).

"Pledge Agreement" shall have the meaning provided in Section 4.01(a)(ii).

"Pledged Subsidiary" shall mean (i) each Subsidiary the capital stock or other equity interests of which is or are pledged pursuant to the Pledge Agreement and (ii) Telephone Operating Company of Vermont LLC.

"Preferred Stock" as applied to the capital stock of any Person, shall mean capital stock of such Person (other than common stock of such Person) of any class or classes (however designed) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of capital stock of any other class of such Person, and shall include any Disqualified Preferred Stock and any Qualified Preferred Stock.

"Prepetition Administrative Agent" shall have the meaning provided in the recitals to this Agreement.

"Prepetition Credit Agreement" shall have the meaning provided in the recitals to this Agreement.

"Prepetition Lenders" shall have the meaning provided in the recitals to this Agreement.

"Prime Lending Rate" shall mean the rate which Bank of America, N.A. announces from time to time as its prime lending rate, the Prime Lending Rate to change when and as such prime lending rate changes. The Prime Lending Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Bank of America, N.A. may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate.

"Professionals" shall mean the professionals retained by the Credit Parties and any statutory committee appointed in the Chapter 11 Cases and approved by the Bankruptcy Court (the "Committee").

"PUC" shall mean a public utility commission, public service commission or any similar agency or commission.

"Qualified Preferred Stock" shall mean any Preferred Stock of FairPoint, the express terms of which (a) shall provide for no voting rights (except for (x) voting rights required by applicable law and (y) limited customary voting rights on fundamental matters such as mergers, consolidations, sales of all or substantially all of the assets of FairPoint, or liquidations involving the Borrower) or covenants (other than customary information covenants and inspection rights) (b) shall provide that dividends thereon shall not be required to be paid at any time (and to the extent) that such payment would be prohibited by the terms of this Agreement or any other agreement of the Borrower relating to outstanding indebtedness and (c) by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event (including any Change of Control), cannot mature and is not mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, and is not redeemable, or required to be repurchased, at the sole option of the holder thereof (including, without limitation, upon the occurrence of a Change of Control), in whole or in part, on or prior to the date that falls one year and one day after the date on which all Obligations are repaid in full and all Revolving Commitments have terminated or expired.

"Qualified Subsidiary" shall mean and include (i) each Wholly-Owned Domestic Subsidiary of a Borrower that is a Pledged Subsidiary, (ii) each other Pledged Subsidiary (x) that is a Domestic Subsidiary and (y) in which the Investments of cash, property, services and/or other assets are made in each class of equity interests of such Subsidiary by the Pledged Parties, on the one hand, and the other holders of such class of equity interests, on the other hand, in amounts which are proportional to the respective equity percentages of the Pledged Parties, on the one hand, and such other holders, on the other hand, for each class of equity interests of such Subsidiary (as reasonably determined by senior management of FairPoint) and (iii) each Wholly-Owned Domestic Subsidiary of a Borrower that is a Telco or Carrier Services Company, the capital stock or other equity interests of which are not permitted to be pledged pursuant to the Pledge Agreement as a result of applicable regulatory law.

"RCRA" shall mean the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901 et seq.

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Replaced Lender" shall have the meaning provided in Section 1.13.

"Replacement Lender" shall have the meaning provided in Section 1.13.

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan that is subject to Title IV of ERISA other than those events as to which the 30-day notice period is waived under any subsection of PBGC Regulation Section 4043.

"Required Lenders" shall mean Non-Defaulting Lenders the sum of whose Revolving Commitments (or, after the termination thereof, outstanding Loans and Percentages of Letter of Credit Outstandings) constitute greater than 50% of the sum of the Total Revolving Commitment less the Revolving Commitments of all Defaulting Lenders (or after the termination thereof, the sum of then total outstanding Loans of Non-Defaulting Lenders and the aggregate Percentages of all Non-Defaulting Lenders of the total outstanding Letter of Credit Outstandings at such time).

"Restricted Payment" shall mean, with respect to FairPoint or any of its Subsidiaries, (i) any Dividend by such Person, (ii) any payment by such Person on account of any Indebtedness that is subordinated in right of payment to the Obligations, (iii) any payment by FairPoint or any of its Subsidiaries with respect to any Intercompany Debt and (iv) the making of (or giving any notice in respect of) any voluntary or optional payment or prepayment on or redemption, repurchase or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto or any other Person money or securities before due for the purpose of paying when due), or any prepayment, repurchase, redemption or acquisition for value as a result of any asset sale or change of control or similar event of any Scheduled Existing Indebtedness.

"Revolving Commitment" shall mean, with respect to each Lender, the amount set forth opposite such Lender's name in Annex I hereto directly below the column entitled "Revolving Commitment," as the same may be (x) reduced or terminated from time to time pursuant to Section 2.02, 2.03 and/or 8 or (y) adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 1.13 and/or 11.04.

"Sarbanes Oxley" shall mean the Sarbanes-Oxley Act of 2002, enacted on July 30, 2002, as now or hereafter in effect, or any successor thereto, and the rules related thereto.

"Scheduled Existing Indebtedness" shall have the meaning provided in Section 7.04(d).

"SEC" shall have the meaning provided in Section 6.01(f).

"SEC Regulation D" shall mean Regulation D as promulgated under the Securities Act.

"Second-Tier Holdco" shall mean any indirect Subsidiary of FairPoint that is a holding company formed to hold the capital stock or other equity interests of one or more Subsidiaries (i.e., is not an operating company).

"Section 1A.01(c) Arrangements" shall have the meaning provided in Section 1A.01(c).

"Section 3.04 Certificate" shall have the meaning provided in Section 3.04(b)(ii).

"Secured Creditor" shall mean and include any "Secured Creditor" as defined in the Security Documents.

"Securities Act" shall mean the Securities Act of 1933, as amended, as the same may be in effect from time to time.

"Security Agreement" shall have the meaning provided in Section 4.01(a)(iii).

"Security Documents" shall mean the Security Agreement and the Pledge Agreement.

"Specified Lien" means those valid, perfected, enforceable and unavoidable, Liens on the property of the Credit Parties in existence as of the Petition Date in the respect to which the Collateral Agent has been granted a junior Lien pursuant to Section 364(c)(3) of the Bankruptcy Code.

"Spinco" shall mean Northern New England Spinco, Inc., a Delaware corporation.

"Stated Amount" shall mean, with respect to any Letter of Credit at any time, the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

"STE" shall mean ST Enterprises, Ltd., a Kansas corporation.

"Subsidiary" of any Person shall mean and include (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, association, joint venture or other entity in which such Person directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time. Unless otherwise expressly provided, all references herein to "Subsidiary" shall mean a Subsidiary of the Borrowers.

"Subsidiary Guarantors" shall mean each Subsidiary party to the Subsidiary Guaranty.

"Subsidiary Guaranty" shall have the meaning provided in Section 4.01(a)(iv).

"Super-Majority Lenders" shall mean Non-Defaulting Lenders the sum of whose Revolving Commitments (or, after the termination thereof, outstanding Loans and Percentages of Letter of Credit Outstandings) constitute greater than 75% of the sum of the Total Revolving Commitment less the Revolving Commitments of all Defaulting Lenders (or after the termination thereof, the sum of then total outstanding Loans of Non-Defaulting Lenders and the aggregate Percentages of all Non-Defaulting Lenders of the total outstanding Letter of Credit Outstandings at such time).

"Super-Priority Claim" shall mean, in relation to the Credit Parties, a claim against the Credit Parties in the Chapter 11 Cases which is an administrative expense claim authorized and established by the Bankruptcy Court pursuant to Sections 364(c) and 507(b) of the Bankruptcy Code and having priority over any or all administrative expenses of the kind specified in Sections 503(b), 507(b) and 546(c) of the Bankruptcy Code.

"S&P" shall have the meaning provided in the definition of "Cash Equivalents".

"Taxes" shall have the meaning provided in Section 3.05(a).

"Telco" shall mean any Subsidiary of FairPoint that is an operating company.

"Termination Date" shall mean the earliest to occur of (i) the Maturity Date, (ii) the effective date of a confirmation date of a plan of reorganization for any of the Loan Parties, that is satisfactory to the Administrative Agent and the

Required Lenders (which plan of reorganization shall in any event provide for (A) the termination of the DIP Financing on or before the effective date of such plan of reorganization (as such term is used in Section 1129 of the Bankruptcy Code) and (B) until the Termination of the DIP Financing, the continuity and priority of the Liens of the Collateral Agent in the Collateral, the superpriority administrative expense claim status of the claims of the Administrative Agent and the Lenders under the Credit Documents and the other rights and remedies of the Administrative Agent and the Lenders under the Credit Documents, in each instance, to the same extent as is provided in the Final Order), (iii) the date this Agreement is terminated either by the Borrowers pursuant to Section 2.02 or by the Required Lenders pursuant to Section 8, (iv) the date this Agreement is otherwise terminated for any reason whatsoever pursuant to the terms of this Agreement.

"Termination of the DIP Financing" shall mean, collectively, the termination of all Lenders' Revolving Commitments and payment in full in cash of all Obligations and the return and cancellation (or expiration (undrawn)) of all Letters of Credit (or the deposit with the Administrative Agent of cash collateral to the extent of 105% of the Stated Amount of all Letters of Credit not so returned and cancelled (or expired (undrwan)) in a manner satisfactory to the Administrative Agent and the Lenders.

"Total Revolving Commitment" shall mean, at any time, the sum of the Revolving Commitments of each of the Lenders at such time.

"Total Unutilized Revolving Commitment" shall mean, at any time, (i) the Total Revolving Commitment at such time less (ii) the sum of (x) the aggregate principal amount of all Loans at such time plus (y) the Letter of Credit Outstandings at such time.

"Transaction" shall mean (i) the entering into of the Credit Documents and the incurrence of all Loans and the issuance of all Letters of Credit on the Closing Date and (ii) the payment of fees and expenses in connection with the foregoing.

"Transition Services Agreement" shall mean the 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 the Borrower, as amended by the amendment thereto dated March 31, 2008 and as may be further amended or otherwise modified from time to time in accordance with the terms thereof and hereof.

"Type" shall mean any type of Loan determined with respect to the interest option applicable thereto, i.e., a Base Rate Loan or Eurodollar Loan.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in New York.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, by which the actuarial present value of the accumulated plan benefits under the Plan as of the close of its most recent plan year, determined in accordance with actuarial assumptions at such time consistent with Statement of Financial Accounting Standards No. 87, exceeds the market value of the assets allocable thereto.

"Unpaid Drawing" shall have the meaning provided in Section 1A.04.

"Unused Line Fee" shall have the meaning provided in Section 2.01(a).

"Unutilized Revolving Commitment" for any Lender with a Revolving Commitment at any time shall mean the excess of (i) the Revolving Commitment of such Lender at such time over (ii) the sum of (x) the aggregate outstanding principal amount of Loans made by such Lender at such time plus (y) an amount equal to such Lender's Percentage of the Letters of Credit Outstandings at such time.

"U.S." shall mean the United States of America and any state or territory thereof or the District of Columbia.

"Wholly-Owned Domestic Subsidiary" shall mean, as to any Person, any Wholly-Owned Subsidiary of such Person which is a Domestic Subsidiary.

"Wholly-Owned Subsidiary" of any Person shall mean any Subsidiary of such Person to the extent all of the capital stock or other ownership interests in such Subsidiary, other than directors' qualifying shares, is owned directly or indirectly by such Person.

"Written" or "in writing" shall mean any form of written communication or a communication by means of telex, facsimile transmission, telegraph or cable.

SECTION 10. The Administrative Agent.

10.01 Appointment.

(a) Each Lender hereby irrevocably designates and appoints Bank of America, N.A. as Administrative Agent for such Lender (for purposes of this Section 10, the term "Administrative Agent" shall mean Bank of America, N.A., in its capacities as Administrative Agent and as Collateral Agent hereunder and pursuant to the Security Documents), to act as specified herein and in the other Credit Documents, and each such Lender hereby irrevocably authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to or required of the Administrative Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties under this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein by or through its respective officers, directors, agents, employees or affiliates (it being understood and agreed, for avoidance of doubt and without limiting the generality of the foregoing, that the Administrative Agent and/or Collateral Agent may perform any of its duties under any Security Document by or through one or more of its affiliates).

(b) The provisions of this Section 10 are solely for the benefit of the Administrative Agent and the Lenders, and neither Borrower nor any of their respective Subsidiaries shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent shall act solely as agent for the Lenders, and the Administrative Agent does not assume (and shall not be deemed to have assumed) any obligation or relationship of agency or trust with or for any Borrower or any of their respective Subsidiaries.

10.02 Nature of Duties.

(a) The Administrative Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement and in the other Credit Documents. None of the Administrative Agent or any of its officers, directors, agents, employees or affiliates shall be liable for any action taken or omitted by it hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision). The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have, by reason of this Agreement or any other Credit Document, a fiduciary relationship in respect of any Lender or the holder of any Note and nothing in this Agreement or in any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

(b) Notwithstanding any other provision of this Agreement or any provision of any other Credit Document, the Arranger is named as such for recognition purposes only, and in its capacity as such shall have no powers, duties, responsibilities or liabilities with respect to this Agreement or the other Credit Documents or the transactions contemplated hereby and thereby; it being understood and agreed that the Arranger shall be entitled to all indemnification and reimbursement rights in favor of the "Administrative Agent" as, and to the extent provided for under Sections 10.07 and 11.01. Without limitation of the foregoing, the Arranger shall not, solely by reason of this Agreement or any other Credit Documents, have any fiduciary relationship in respect of any Lender or any other Person.

10.03 Certain Rights of the Administrative Agent. The Administrative Agent shall have the right to request instructions from the Required Lenders at any time. If the Administrative Agent shall request instructions from the Required Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received instructions from the Required Lenders; and the Administrative Agent shall not incur liability to any Lender by reason of so refraining. Without limiting the foregoing, neither any Lender nor the holder of any Note shall have any right of action whatsoever against the Administrative Agent or any of its employees, directors, officers, agents or affiliates as a result of the Administrative Agent or such other person acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders.

10.04 Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected (and shall have no liability to any Person) in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order, telephone message or other document or conversation that the Administrative Agent believed, in the absence of gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision), to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by the Administrative Agent (which may be counsel for the Credit Parties) and, with respect to other matters, upon advice of independent public accountants or other experts selected by it.

10.05 Notice of Default, etc. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has actually received written notice from a Lender or the Borrowers referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or such other percentage of Lenders or all Lenders, to the extent required by Section 11.11); provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of

Default as it shall deem advisable in the best interests of the Lenders (as determined by the Administrative Agent in its sole discretion).

10.06 Nonreliance on the Administrative Agent and Other Lenders. Independently and without reliance upon the Administrative Agent, each Lender and the holder of each Note, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Borrowers and their Subsidiaries in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Borrowers and their Subsidiaries and, except as expressly provided in this Agreement, the Administrative Agent shall not have any duty or responsibility, either initially or on a continuing basis, to provide any Lender or the holder of any Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter. None of the Administrative Agent or its affiliates or any of their respective officers, directors, agents or employees shall be responsible to any Lender or the holder of any Note for, or be required or have any duty to ascertain, inquire or verify the accuracy of, (i) any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith, (ii) the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document, (iii) the financial condition of the Borrowers and any of their Subsidiaries, (iv) the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, (v) the satisfaction of any of the conditions precedent set forth in Section 4 (other than the delivery of certain documents to the Administrative Agent as provided in Section 4.01(a)), or (vi) the existence or possible existence of any Default or Event of Default.

10.07 Indemnification. (a) To the extent the Administrative Agent (or any affiliate thereof) is not reimbursed and indemnified by the Borrowers, the Lenders will reimburse and indemnify the Administrative Agent (and any affiliate thereof) pro rata (determined as if there were no Defaulting Lenders), for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Administrative Agent (or any affiliate thereof) in performing its respective duties hereunder or under any other Credit Document or in any way relating to or arising out of this Agreement or any other Credit Document; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision).

(b) The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Credit Document (except actions expressly required to be taken by it hereunder or under the Credit Documents) unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

(c) The agreements in this Section 10.07 shall survive the payment of all Obligations.

10.08 The Administrative Agent in Its Individual Capacity. With respect to its obligation to make Loans, or issue or participate in Letters of Credit, under this Agreement, the Administrative Agent shall have the rights and powers specified herein for a "Lender" and may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Lender", "Required Lenders", "holders of Notes" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, investment banking, trust or other business with, or provide debt financing, equity capital or other services (including financial advisory services) to, any Credit Party or any Affiliate of any Credit Party (or any Person engaged in a similar business with any Credit Party or any Affiliate thereof) as if they were not performing the duties specified herein, and may accept fees and other consideration from any Credit Party or any Affiliate of any Credit Party for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

10.09 Holders. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Administrative Agent. Any request, authority or consent of any Person or entity who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Note or of any Note or Notes issued in exchange therefor.

10.10 Resignation of the Administrative Agent. (a) The Administrative Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents (including, without limitation, its functions and duties as Collateral Agent) at any time by giving 15 Business Days' prior written notice to the Lenders and the Borrowers. Any such resignation by the Administrative Agent hereunder shall also constitute its resignation (if applicable) as a Letter of Credit Issuer, in which case the resigning Administrative Agent (x) shall not be required to issue any further Letters of Credit hereunder and (y) shall maintain all of its rights as Letter of Credit Issuer with respect to any Letter of Credit issued by it prior to the date of such resignation. Such resignation shall take effect upon the appointment of a successor Administrative Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation by the Administrative Agent, the Required Lenders shall appoint a successor Administrative Agent hereunder and/or under the other Credit Documents who shall be a commercial bank or trust company acceptable to the Borrowers, which acceptance shall not be unreasonably withheld or delayed (provided, that the Borrowers' consent shall not be required if a Default or an Event of Default then exists).

(c) If a successor Administrative Agent shall not have been so appointed within such 15 Business Day period, the Administrative Agent, after consulting with the Lenders and with the consent of the Borrowers, which consent shall not be unreasonably withheld or delayed (provided, that the Borrowers' consent shall not be required if a Default or an Event of Default then exists), shall then appoint a successor Administrative Agent who shall serve as Administrative Agent hereunder and/or under the other Credit Documents until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above.

(d) If no successor Administrative Agent has been appointed pursuant to clause (b) or (c) above by the 15th Business Day after the date such notice of resignation was given by the Administrative Agent, the Administrative Agent's resignation shall become effective and the Required Lenders shall thereafter perform all the duties of the Administrative Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above.

(e) Upon a resignation of the Administrative Agent pursuant to this Section 10.10, the Administrative Agent shall remain indemnified to the extent provided in this Agreement and the other Credit Documents and the provisions of this Section 10 shall continue in effect for the benefit of the Administrative Agent for all of its actions and inactions while serving as the Administrative Agent.

10.11 Collateral Matters. (a) Each Lender authorizes and directs the Collateral Agent to enter into each Security Document for the benefit of the Lenders and the other Secured Creditors. Each Lender hereby agrees, and each holder of any Note or participant in Letters of Credit by the acceptance thereof will be deemed to agree, that, except as otherwise set forth herein, any action taken by the Required Lenders (or such greater number of Lenders as required by Section 11.11) in accordance with the provisions of this Agreement or any Security Document, and the exercise by the Required Lenders (or such greater number of Lenders as required by Section 11.11) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. The Collateral Agent is hereby authorized on behalf of all of the Lenders, without the necessity of any notice to or further consent from any Lender, from time to time prior to an Event of Default, to take any action with respect to any Collateral or any Security Document which may be necessary to perfect and maintain perfected the security interest in and liens upon the Collateral granted pursuant to the Security Documents.

(b) The Lenders hereby authorize the Collateral Agent, at its option and in its discretion, to release any Lien granted to or held by the Collateral Agent upon any Collateral (i) upon termination of the Revolving Commitments and payment and satisfaction of all Loans and reimbursement obligations in respect of Letters of Credit (whether or not any of such Obligations are due), the termination or expiration (undrawn) of all outstanding Letters of Credit and the payment and satisfaction in full of all other Obligations at any time arising under or in respect of this Agreement or the Credit Documents or the transactions contemplated hereby or thereby, (ii) constituting property being sold or otherwise disposed of (to Persons other than the Borrowers and their Subsidiaries) upon the sale or other disposition thereof in compliance with Sections 7.02 and 11.11, (iii) if approved, authorized or ratified in writing by the Required Lenders (or such other percent of Lenders or all of the Lenders hereunder, to the extent required by Section 11.11) or (iv) as otherwise may be expressly provided in the applicable Security Document. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Collateral Agent's authority to release particular types or items of Collateral pursuant to this Section 10.11.

(c) The Collateral Agent shall have no obligation whatsoever to the Lenders or to any other Person to assure that the Collateral exists or is owned by any Borrower or any of their Subsidiaries or is cared for, protected or insured or that the Liens granted to the Collateral

Agent herein or in any Security Document or pursuant hereto or thereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise or to continue exercising at all or in any manner or under any duty of care, disclosure or fidelity any of the rights, authorities and powers granted or available to the Collateral Agent in this Section 10.11 or in the Security Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Collateral Agent may act in any manner it may deem appropriate, in its sole discretion, given the Collateral Agent's own interest in the Collateral as one of the Lenders and that the Collateral Agent shall have no duty or liability whatsoever to the Lenders, except for its gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision).

10.12 Delivery of Information. The Administrative Agent shall not be required to deliver to any Lender originals or copies of any documents, instruments, notices, communications or other information received by the Administrative Agent from the Borrowers, any Subsidiary, the Required Lenders, any Lender or any other Person under or in connection with this Agreement or any other Credit Document except (i) as specifically provided in this Agreement or any other Credit Document and (ii) as specifically requested from time to time in writing by any Lender with respect to a specific document, instrument, notice or other written communication received by and in the possession of the Administrative Agent at the time of receipt of such request and then only in accordance with such specific request.

10.13 Removal of the Administrative Agent if it is a Defaulting Lender. If at any time any Lender serving as the Administrative Agent becomes a Defaulting Lender or a Distress Event occurs with respect to such Lender, or an Affiliate of a Defaulting Lender or a Lender subject to a Distress Event is serving as the Administrative Agent (a "Defaulting Agent"), and such Defaulting Agent fails to cure all Lender Defaults that caused it to become a Defaulting Lender or to cure or enter into arrangements reasonably satisfactory to the Required Lenders and, so long as no Default or Event of Default has occurred and is continuing, the Borrowers to eliminate any risk arising from such Defaulting Agent serving as the Administrative Agent within 15 Business Days' from the date it became a Defaulting Agent, then the Borrowers, so long as no Default or Event of Default has occurred and is continuing, or the Required Lenders may, but shall not be required to, direct such Defaulting Agent to resign as the Administrative Agent (including, without limitation, any functions and duties as Collateral Agent, and/or Letter of Credit Issuer, as the case may be), and upon the direction of the Borrowers (so long as no Default or Event of Default has occurred and is continuing) or the Required Lenders, as the case may be, such Defaulting Agent shall be required to so resign, in accordance with the terms of Section 10.10. Such resigning Defaulting Agent shall cooperate reasonably and in good faith to effectuate the transfer of the agency to the successor Administrative Agent appointed in accordance with the terms of Section 10.10, including, without limitation, the execution and delivery of such assignments, modifications, documents, certificates and further assurances as such successor Administrative Agent may reasonably request.

SECTION 11. Miscellaneous.

11.01 Payment of Expenses, etc. (a) Each Borrower agrees, jointly and severally, to: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Collateral Agent in connection with the negotiation, preparation, execution, delivery, administration and termination of the Credit Documents and the documents and instruments referred to therein and any amendment, supplement, waiver, consent or subsequent closing relating thereto (including the reasonable fees, disbursements and other charges of (x) counsel to the Administrative Agent and the Collateral Agent and (y) the Financial Advisor); (ii) pay all reasonable out-of-pocket costs and expenses of the Administrative Agent, the Collateral Agent, the Letter of Credit Issuer and each of the Lenders in connection with the enforcement of the Credit Documents and the documents and instruments referred to therein (including the reasonable fees, disbursements and other charges of (x) counsel to the Administrative Agent and the Collateral Agent and (y) the Financial Advisor); provided, that the Borrowers' obligation to pay the fees, disbursements and other charges of counsel to the Lenders (but not of counsel to the Administrative Agent or the Collateral Agent) shall be limited to one outside counsel, which, as of the Closing Date, is Wachtell, Lipton, Rosen & Katz; (iii) pay and hold each of the Lenders (including in its capacity as Administrative Agent, Collateral Agent and/or Letter of Credit Issuer) harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes; and (iv) indemnify the Arranger and each Lender (including in its capacity as Administrative Agent, Collateral Agent and/or Letter of Credit Issuer) and each of their respective affiliates, and each officer, director, trustee, employee, representative, advisor and agent thereof (each, an "Indemnified Person") from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, (a) any investigation, litigation or other proceeding (whether or not any Indemnified Person is a party thereto and whether or not any such investigation, litigation or other proceeding is between or among any Indemnified Person, any Credit Party or any third Person or otherwise) related to the entering into and/or performance of any Credit Document or the use of the proceeds of any Loans hereunder or the Transaction or the consummation of any transactions contemplated in any Credit Document, or (b) the actual or alleged presence of Hazardous Materials in the air, surface water or ground water or on the surface or subsurface of any property owned or operated at any time by any Borrower or any of their Subsidiaries or the generation, storage, transportation, handling or disposal of Hazardous Materials by any Borrower or any of their Subsidiaries at any location, or the noncompliance by any Borrower or any of their Subsidiaries with any Environmental Law or any Environmental Claim in connection with any Borrower or any of their Subsidiaries or business or operations or any property owned or operated at any time by any Borrower or any of their Subsidiaries, including, in each case, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding, in the case of this clause (iv), any such losses, liabilities, claims, damages or expenses (x) of an Indemnified Person, to the extent incurred by reason of the gross negligence or willful misconduct of such Indemnified Person as determined by a court of competent jurisdiction in a final and non-appealable decision, (y) for purposes of clause (b) only and without limiting the indemnity in favor of such Indemnified Persons for purposes of

clause (a), to the extent incurred by any affiliate of the Administrative Agent, Collateral Agent and/or Letter of Credit Issuer and any officer, director, trustee, employee, representative, advisor and agent of any such affiliate, if such Indemnified Person is not involved, directly or indirectly, in any of the transactions contemplated by the Credit Documents and (z) for purposes of clause (a) only, to the extent such losses, liabilities, claims, damages or expenses arise out of or in connection with any investigation, litigation or other proceeding that does not involve an act or omission by a Borrower or any Affiliate thereof and that is brought by one Lender (in its capacity as such) against any other Lender (in its capacity as such)).

(b) To the full extent permitted by applicable law, the Borrowers shall not assert, and hereby waive, any claim against any Indemnified Person, on any theory of liability, for special, indirect, consequential or incidental damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnified Person shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Credit Documents or the transactions contemplated hereby or thereby, except to the extent the liability of such Indemnified Person results from such Indemnified Person's gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision).

11.02 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, if an Event of Default then exists, each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Credit Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special but not trust accounts) and any other Indebtedness at any time held or owing by such Lender (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of any Credit Party against and on account of the Obligations and liabilities of such Credit Party to such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations of such Credit Party purchased by such Lender pursuant to Section 11.06(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

11.03 Notices. (a) Generally. Except in the case of notices and other communications expressly permitted to be given verbally or by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

1) if to the Administrative Agent, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Annex II hereto;

2) if to the Borrowers, to:

c/o FairPoint Communications, Inc.
521 East Morehead Street, Suite 500
Charlotte, North Carolina 28202
Attn: Shirley J. Linn, Executive Vice President and General Counsel
Telephone: (704) 227-3662
Facsimile: (704) 344-1594

with a copy to:

Paul, Hastings, Janofsky & Walker LLP
75 E. 55th Street
New York, New York 10022
Attn: Richard S. Denhup, Esq.; and

3) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified on Annex II hereto.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the

extent provided in subsection (b) below shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and each Letter of Credit Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or any Letter of Credit Issuer pursuant to Section 1 or Section 1A if such Lender or such Letter of Credit Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or

communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. The Borrowers hereby acknowledge that (i) the Administrative Agent will make available to the Lenders and each Letter of Credit Issuer materials and/or information provided by or on behalf of the Borrowers hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (ii) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrowers or their Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrowers hereby agree that they will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (1) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (2) by marking Borrower Materials "PUBLIC," the Borrowers shall be deemed to have authorized the Administrative Agent, each Letter of Credit Issuer and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrowers or their securities for purposes of United States federal and state securities laws; (3) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (4) the Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person's Affiliates (collectively, the "Agent Parties") have any liability to the Borrowers, any Lender, each Letter of Credit Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrowers' or the Administrative Agent's transmission of materials and/or information provided by or on behalf of the Borrowers under the Credit Documents through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to

any Borrower, any Lender, each Letter of Credit Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each Borrower, the Administrative Agent and each Letter of Credit Issuer may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Borrowers, the Administrative Agent and each Letter of Credit Issuer. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrowers or their securities for purposes of United States federal or state securities laws.

(e) Reliance by Administrative Agent, each Letter of Credit Issuer and Lenders. The Administrative Agent, each Letter of Credit Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic notices) purportedly given by or on behalf of the Borrowers even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrowers shall, jointly and severally, indemnify the Administrative Agent, each Letter of Credit Issuer, each Lender and each such Person's Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person's Affiliates, of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrowers.

11.04 Benefit of Agreement. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that no Borrower may assign or transfer any of its rights or obligations hereunder without the prior written consent of each of the Lenders. Each Lender may at any time grant participations in any of its rights hereunder or under any of the Notes to another financial institution; provided that in the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by the Borrowers hereunder shall be determined as if such Lender had not sold such participation, except that the participant shall be entitled to the benefits of Sections 1.10, 1A.06 and 3.04 of this Agreement to the extent that such Lender would be entitled to such benefits if the participation had not been entered into or sold, and; provided, further, that no Lender shall transfer, grant or assign any participation under which the participant shall have rights to approve

any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating (it being understood that any waiver of any prepayment of, or the method of any application of any prepayment to, the Loans shall not constitute an extension of the Maturity Date therefor), or reduce the rate or extend the time of payment of interest or Fees (except in connection with a waiver of the applicability of any post-default increase in interest rates), or reduce the principal amount thereof, or increase such participant's participating interest in any Commitment over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Revolving Commitment or a mandatory prepayment shall not constitute a change in the terms of any Commitment), (ii) release all or substantially all of the Collateral, (iii) release all or substantially all of the Subsidiaries from the Subsidiary Guaranty (except as provided therein) or (iv) consent to the assignment or transfer by any Borrower of any of its rights and obligations under this Agreement or any other Credit Document.

(b) Notwithstanding the foregoing, (x) any Lender may assign all or a portion of its outstanding Commitment and its rights and obligations hereunder to (i)(A) its parent company and/or any affiliate of such Lender which is at least 50% owned by such Lender or its parent company or (B) to one or more other Lenders or any affiliate of any such other Lender which is at least 50% owned by such other Lender or its parent company (provided that any fund that invests in loans and is managed or advised by the same investment advisor of another fund which is a Lender (or by an affiliate of such investment advisor) shall be treated as an affiliate of such other Lender for the purposes of this sub-clause (x)(i)(B)), or (ii) in the case of any Lender that is a fund that invests in loans, any other fund that invests in loans and is managed and/or advised by the same investment advisor of such Lender or by an Affiliate of such investment advisor and (y) with the consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed), any Lender (or any Lender together with one or more other related Lenders) may assign all, or if less than all, a portion equal to at least $5,000,000 in the aggregate for the assigning Lender or Lenders of such outstanding Loans and Revolving Commitments and its or their related rights and obligations hereunder, and, in each case such assigning Lender's related rights and obligations hereunder to one or more Eligible Transferees (treating any fund that invests in loans and any other fund that invests in loans and is managed and/or advised by the same investment advisor of such fund or by an Affiliate of such investment advisor of such fund or by an Affiliate of such investment advisor as a single Eligible Transferee). If any Lender so sells or assigns all or a part of its rights hereunder or under the Notes, any reference in this Agreement or the Notes to such assigning Lender shall thereafter refer to such Lender and to the respective assignee to the extent of their respective interests and the respective assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights and benefits as it would if it were such assigning Lender. Each assignment pursuant to this Section 11.04(b) shall be effected by the assigning Lender and the assignee Lender executing an Assignment Agreement and giving the Administrative Agent written notice thereof. At the time of any such assignment, (i) either the assigning or the assignee Lender shall pay to the Administrative Agent a nonrefundable assignment fee of $3,500 (provided that only one assignment fee shall be payable in respect of any reasonably contemporaneous assignment by a Lender to any one or more funds that invest in loans and are managed and/or advised by the same investment advisor of such Lender or by an Affiliate of such investment advisor), (ii) Annex I shall be deemed to be amended to reflect the Revolving

Commitments and Loans of the respective assignee (which shall result in a direct reduction to the Revolving Commitment of the assigning Lender) and of the other Lenders, and (iii) upon surrender of the old Notes the Borrowers will, at their own expense, issue new Notes to the respective assignee and to the assigning Lender in conformity with the requirements of Section 1.05; provided, further, that such transfer or assignment will become effective on the date set forth in the respective assignment agreement as recorded by the Administrative Agent on the Lender Register pursuant to Section 11.15. To the extent of any assignment pursuant to this Section 11.04(b) to a Person which is not already a Lender hereunder and which is not a United States Person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Lender shall provide to the Borrowers and the Administrative Agent the appropriate Internal Revenue Service Forms (and, if applicable, a Section 3.04 Certificate) described in Section 3.05(b)(ii). To the extent that an assignment pursuant to this Section 11.04(b) would, at the time of such assignment, result in increased costs under Section 1.10 or 3.04 from those being charged by the respective assigning Lender prior to such assignment, then the Borrowers shall not be obligated to pay such increased costs (although the Borrowers shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment). Nothing in this clause (b) shall prevent or prohibit any Lender from pledging its Notes or Loans to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank and, with prior written notice to the Administrative Agent, any Lender which is a fund may pledge all or any portion of its Notes or Loans to its trustee or to a collateral agent or to another creditor providing credit or credit support to such Lender in support of its obligations to such trustee, such collateral agent or a holder of, or any other representative of a holder of, such obligations, or such other creditor, as the case may be; provided that no such pledge shall release the transferor Lender from any of its obligations hereunder or substitute any such trustee, collateral agent or other assignee for such Lender as a party hereto.

(c) Notwithstanding any other provisions of this Section 11.04, no transfer or assignment of the interests or obligations of any Lender hereunder or any grant of participation therein shall be permitted if such transfer, assignment or grant would require the Borrowers or any of their Subsidiaries to (i) file a registration statement with the SEC, (ii) qualify the Loans under the "Blue Sky" laws of any State or (iii) integrate such transfer or assignment with a separate securities offering of securities of the Borrowers or any of their Subsidiaries.

(d) Each Lender initially party to this Agreement hereby represents, and each Person that became a Lender pursuant to an assignment permitted by this Section 11 will, upon its becoming party to this Agreement, represent that it is an Eligible Transferee which makes or invests in loans in the ordinary course and that it will make or acquire Loans for its own account in the ordinary course; provided that subject to the preceding clauses (a) and (b), the disposition of any promissory notes or other evidences of or interests in Indebtedness held by such Lender shall at all times be within its exclusive control.

(e) Any Lender which assigns all of its Revolving Commitments and/or Obligations hereunder in accordance with Section 11.04(b) shall cease to constitute a "Lender" hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 1.10, 1.11, 1A.06, 3.04, 11.01 and 11.06), which shall survive as to such assigning Lender.

11.05 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent, the Collateral Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between any Credit Party and the Administrative Agent, the Collateral Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Administrative Agent, the Collateral Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent, the Collateral Agent or the Lenders to any other or further action in any circumstances without notice or demand.

11.06 Payments Pro Rata. (a) The Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of any Credit Party in respect of any Obligations of such Credit Party hereunder or under any of the other Credit Documents, it shall distribute such payment to the Lenders (other than any Lender that has expressly waived its right to receive its pro rata share thereof) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise) which is applicable to the payment of the principal of, or interest on, the Loans or Fees, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the respective Credit Party to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 11.06(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

11.07 Calculations; Computations. (a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with GAAP consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrowers to the Lenders).

(b) All computations of interest and Fees hereunder shall be made on the actual number of days elapsed over a year of 360 days.

11.08 Governing Law; Submission to Jurisdiction; Venue; Waiver of Jury Trial. (a) This Agreement and the other Credit Documents and the rights and obligations of the parties hereunder and thereunder shall be construed in accordance with and be governed by the law of the State of New York. Except for matters within the exclusive jurisdiction of the Bankruptcy Court, any legal action or proceeding with respect to this Agreement or any other Credit Document may be brought in the courts of the State of New York sitting in the Borough of Manhattan or of the United States for the Southern District of New York, and, by execution and delivery of this Agreement, each Credit Party hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. Each Credit Party further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to each Credit Party located outside New York City and by hand delivery to each Credit Party located within New York City, at its address for notices pursuant to Section 11.03, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any Credit Party in any other jurisdiction.

(b) Except for matters within the exclusive jurisdiction of the Bankruptcy Court, each Credit Party hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Credit Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Each of the parties to this Agreement hereby irrevocably waives all right to a trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement, the other Credit Documents or the transactions contemplated hereby or thereby.

11.09 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrowers and the Administrative Agent.

11.10 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.11 Amendment or Waiver. (a) Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the Borrowers and the Required Lenders; provided that no such change, waiver, discharge or termination shall, without the consent of each Lender (other than a Defaulting Lender) (with Obligations being directly affected thereby in the case of the following clauses (i) and (vii)), (i) extend the final scheduled maturity of any Loan or Note (it being understood that any waiver

of any prepayment of, or the method of application of any prepayment to, the Loans shall not constitute any such extension), or reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) or Fees, or reduce (or forgive) the principal amount thereof, or increase the Revolving Commitment of any Lender over the amount thereof then in effect (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Revolving Commitment shall not constitute an increase of the Revolving Commitment of any Lender, and that an increase in the available portion of any Revolving Commitment of any Lender shall not constitute an increase in the Revolving Commitment of such Lender), (ii) amend, modify or waive any provision of this Section 11.11, (iii) reduce the percentage specified in, or (except to give effect to any additional facilities hereunder) otherwise modify, either the definition of Required Lenders, (iv) consent to the assignment or transfer by any Borrower of any of its rights and obligations under this Agreement, (v) release all or substantially all of the Collateral, (vi) release all or substantially all of the Guarantors from the Subsidiary Guaranty (except as provided therein) or (vii) alter the requirements set forth in Sections 3.02(B) and 11.06 that certain payments with respect to Loans be applied or distributed on a pro rata basis to the holders of such Loans; provided, further that (x) without the consent of each Letter of Credit Issuer, amend, modify or waive any provision of Section 1 A or alter its rights or obligations with respect to Letters of Credit, (y) without the consent of the Administrative Agent, amend, modify or waive any provision of Section 11 as Agent or any other provision as same relates to the rights or obligations of the Administrative Agent and (z) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent.

(b) If, in connection with any proposed change, waiver, discharge or termination of or to any of the provisions of this Agreement as contemplated by clauses (i) through (vii), inclusive, of the first proviso to Section 11.11(a), the consent of the Super-Majority Lenders has been obtained, but the consent of one or more of such other Lenders (other than the Administrative Agent) whose consent is required is not obtained, then the Borrowers shall have the right to replace each such non-consenting Lender or Lenders with one or more Replacement Lenders pursuant to Section 1.13 so long as at the time of such replacement, each such Replacement Lender consents to the proposed change, waiver, discharge or termination.

11.12 Survival. All indemnities set forth herein including, without limitation, in Section 1.10, 1.11, 3.04, 10.06 or 11.01 shall survive the execution and delivery of this Agreement and the making and repayment of the Loans.

11.13 Domicile of Loans. Each Lender may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Lender; provided that the Borrowers shall not be responsible for costs arising under Section 1.10 or 3.04 resulting from any such transfer (other than a transfer pursuant to Section 1.12) to the extent not otherwise applicable to such Lender prior to such transfer.

11.14 Confidentiality. (a) Each of the Lenders agrees that it will use its best efforts not to disclose without the prior consent of the Borrowers (other than to its employees, trustees, auditors, counsel or other professional advisors, to affiliates or to another Lender if the Lender or such Lender's holding or parent company in its sole discretion determines that any

such party should have access to such information) any information with respect to the Borrowers or any of their Subsidiaries which is furnished pursuant to any Credit Document and which is designated by the Borrowers or the Borrowers to the Lenders in writing as confidential; provided, that any Lender may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Lender or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors or to the National Association of Insurance Commissioners, (c) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation (notice of which will be promptly sent to the Borrowers to the extent permitted by law), (d) in order to comply with any law, order, regulation or ruling applicable to such Lender, and (e) to any pledgee referred to in Section 11.04(b) or any prospective transferee that is an Eligible Transferee that is acceptable to the Borrowers in connection with any contemplated transfer of any of the Notes or any interest therein by such Lender to the extent that such prospective transferee is notified of the confidentiality requirements relating thereto. No Lender shall be obligated or required to return any materials furnished by the Borrowers or any Subsidiary. The Borrowers hereby agree that the failure of a Lender to comply with the provisions of this Section 11.14 shall not relieve the Credit Parties of any of their obligations to such Lender under this Agreement and the other Credit Documents.

(b) Each Borrower hereby represents and acknowledges that, to the best of its knowledge, neither any Lender, nor any employees or agents of, or other persons affiliated with, any Lender, have directly or indirectly made or provided any statement (oral or written) to such Borrower or to any of its employees or agents, or other persons affiliated with or related to such Borrower (or, so far as such Borrower is aware, to any other person), as to the potential tax consequences of the Transaction.

11.15 Lender Register. The Borrowers hereby designate the Administrative Agent to serve as the Borrowers' agent, solely for purposes of this Section 11.15, to maintain a register (the "Lender Register") on which it will record the Revolving Commitments from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment in respect of the principal amount of the Loans of each of the Lenders. Failure to make any such recordation, or any error in such recordation shall not affect the Borrowers' obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitments or Loans of such Lender and the rights to the principal of, and interest on, such Loans or any Loan made pursuant to such Revolving Commitments shall be effective on the date set forth in the respective assignment agreement as recorded on the Lender Register maintained by the Administrative Agent with respect to ownership of such Revolving Commitments and Loans and prior to such recordation all amounts owing to the transferor with respect to such Revolving Commitments and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Revolving Commitments and Loans shall be recorded by the Administrative Agent on the Lender Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment Agreement pursuant to Section 11.04(b). The Borrowers agree, jointly and severally, to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 11.15

(but excluding such losses, claims, liabilities or liabilities incurred by reason of the Administrative Agent's gross negligence or willful misconduct).

11.16 Patriot Act Notice. Each Lender that is subject to the Patriot Act, the Letter of Credit Issuer and the Administrative Agent (for itself and not on behalf of any Lender) hereby notify the Borrowers that, pursuant to the requirements of the Patriot Act, each of them is required to obtain, verify and record information that identifies each Credit Party, which information includes the name and address of such Credit Party and other information that will allow such Lender, the Letter of Credit Issuer or the Administrative Agent, as applicable, to identify such Credit Party in accordance with the Patriot Act.

11.17 Impacted Lenders and Defaulting Lenders. (a) If at any time after a Lender has been deemed to be an Impacted Lender, such Lender fulfills its funding obligations under and in accordance with this Credit Agreement, so long as no Lender Default has occurred and is continuing with respect to such Lender, such Lender shall no longer be deemed to be an Impacted Lender.

(b) Without limiting any of the rights of the Borrowers to replace any such Defaulting Lender pursuant to Section 1.13, if any one or more Lender Defaults of the type identified in clause (i) or (ii) of the definition of Lender Default (each, a "Specified Lender Default") occur with respect to any Defaulting Lender, so long as no Lender Defaults of the type identified in clause (iii) of the definition thereof shall have occurred with respect to such Defaulting Lender, such Defaulting Lender shall have a one-time right during the period commencing on the date such Lender became a Defaulting Lender and ending on the 30th Business Day thereafter (the "Lender Cure Period") to cure all (but not less than all) of such Specified Lender Defaults to the satisfaction of the Borrowers, the Administrative Agent and each Letter of Credit Issuer. On the first Business Day after such Defaulting Lender obtains written acknowledgment of the Borrowers, the Administrative Agent and each Letter of Credit Issuer acknowledging the cure of all (but not less than all) Specified Lender Defaults of such Lender (such date, the "Reinstatement Date"), (a) such Lender will no longer be deemed to be a Defaulting Lender under this Agreement, (b) all such Lender's voting rights and rights to payment under the Credit Documents that were suspended as a result of its status as a Defaulting Lender shall be restored and (c) the Borrowers shall no longer have the right to replace such Lender pursuant to Section 1.13 with respect to the cured Specified Lender Defaults. Prior to any Reinstatement Date, each Defaulting Lender shall remain liable to the Borrowers and the other Credit Parties for any and all damages arising out of, in connection with, or as a result of, each Specified Lender Default, consistent with the terms of this Agreement. If one or more additional Lender Defaults occur after the Reinstatement Date with respect to such Lender, the prior written consent of the Required Lenders in their sole discretion and, so long as no Event of Default shall have occurred and be continuing, the Borrowers in their sole discretion shall be required to restore such Lender as a Non-Defaulting Lender.

[SIGNATURE PAGES OMITTED]

Exhibit 10.7

DEBTOR-IN-POSSESSION SUBSIDIARY GUARANTY

DEBTOR-IN-POSSESSION SUBSIDIARY GUARANTY (as amended, modified, restated and/or supplemented from time to time, this "Guaranty"), dated as of October 30, 2009, made by and among each of the undersigned guarantors, each of which is a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code (as defined in the Credit Agreement referred to below) (each, a "Guarantor" and collectively, the "Guarantors") in favor of BANK OF AMERICA, N.A., as Administrative Agent (in such capacity, together with any successor administrative agent, the "Administrative Agent"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H :

WHEREAS, FairPoint Communications, Inc., a Delaware corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code ("FairPoint"), and FairPoint Logistics, Inc., a South Dakota corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code ("FairPoint Logistics"; and together with FairPoint, each a "Borrower" and collectively the "Borrowers") and each of the Guarantors have filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and have continued in the possession of their assets and in the management of their businesses pursuant to Sections 1107 and 1108 of the Bankruptcy Code, and such reorganization cases are being jointly administered under Case Number 09-16335-brl (the "Cases");

WHEREAS, the Borrowers, the lenders from time to time party thereto (the "Lenders") and the Administrative Agent have entered into a Debtor-In-Possession Credit Agreement, dated as of October 27, 2009 (as amended, modified, restated and/or supplemented from time to time, the "Credit Agreement"), providing for the making of Loans to, and the issuance of, and participation in, Letters of Credit for the account of, the Borrowers and/or one or more of their Subsidiaries, all as contemplated therein (the Lenders, the Letter of Credit Issuer, the Administrative Agent, the Collateral Agent and the Pledgee referred to in the Pledge Agreement are herein called the "Secured Creditors").

WHEREAS, each Guarantor is a direct or indirect Subsidiary of the Borrowers.

WHEREAS, it is a condition precedent to the making of Loans to the Borrowers and the issuance of, and participation in, Letters of Credit for the account of the Borrowers and/or one or more of their Subsidiaries under the Credit Agreement that each Guarantor shall have executed and delivered this Guaranty to the Administrative Agent.

WHEREAS, each Guarantor will obtain benefits from the incurrence of Loans by the Borrowers and the issuance of, and participation in, Letters of Credit for the account of the Borrowers and/or one or more of their Subsidiaries under the Credit Agreement and,

accordingly, desires to execute this Guaranty in order to satisfy the condition described in the preceding paragraph and to induce the Lenders to make Loans to the Borrowers and issue, and/or participate in, Letters of Credit for the account of the Borrowers and/or one or more of their Subsidiaries.

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to each Guarantor, the receipt and sufficiency of which are hereby acknowledged, each Guarantor hereby makes the following representations and warranties to the Administrative Agent for the benefit of the Secured Creditors and hereby covenants and agrees with each other Guarantor and the Administrative Agent for the benefit of the Secured Creditors as follows:

1. GUARANTY. Each Guarantor, jointly and severally, irrevocably, absolutely and unconditionally guarantees as a primary obligor and not merely as surety the full and prompt payment when due (whether at the stated maturity, by required prepayment, declaration, acceleration, demand or otherwise) of (x) the principal of, premium, if any, and interest on the Notes issued by, and the Loans made to, the Borrowers under the Credit Agreement, and all reimbursement obligations and Unpaid Drawings with respect to Letters of Credit and (y) all other obligations, liabilities and indebtedness owing by each Borrower to the Secured Creditors under the Credit Agreement and each other Credit Document to which such Borrower is a party (including, without limitation, indemnities, Fees and interest thereon, whether now existing or hereafter incurred under, arising out of or in connection with the Credit Agreement and any such other Credit Document and the due performance and compliance by each Borrower with all of the terms, conditions, covenants and agreements contained in all such Credit Documents (all such principal, premium, interest, liabilities, indebtedness and obligations being herein collectively called the "Guaranteed Obligations").

Each Guarantor understands, agrees and confirms that the Secured Creditors may enforce this Guaranty up to the full amount of the Guaranteed Obligations against such Guarantor without proceeding against any other Guarantor or either Borrower, or against any security for the Guaranteed Obligations, or under any other guaranty covering all or a portion of the Guaranteed Obligations. This Guaranty is a guaranty of prompt payment and performance and not of collection. In addition, if as a result of an Event of Default any or all of the Obligations of the Borrowers to the Secured Creditors become due and payable under the Credit Agreement, each Guarantor, jointly and severally, unconditionally promises to pay such Obligations to the Secured Creditors, on demand, together with any and all reasonable expenses which may be incurred by the Administrative Agent or the other Secured Creditors in collecting any of the Obligations.

2. LIABILITY OF GUARANTORS ABSOLUTE. The liability of each Guarantor hereunder is primary, absolute, joint and several, and unconditional and is exclusive and independent of any security for or other guaranty of the indebtedness of the Borrowers whether executed by such Guarantor, any other Guarantor, any other guarantor or by any other party, and the liability of each Guarantor hereunder shall not be affected or impaired by any circumstance or occurrence whatsoever, including, without limitation: (a) any direction as to application of payment by any Borrower or any other party; (b) any other continuing or other guaranty, undertaking or maximum liability of a Guarantor or of any other party as to the Guaranteed Obligations; (c) any payment on or in reduction of any such other guaranty or undertaking; (d)

any dissolution, termination or increase, decrease or change in personnel by any Borrower, (e) the failure of any Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty, (f) any payment made to any Secured Creditor on the indebtedness which any Secured Creditor repays any Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Guarantor waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding; (g) any action or inaction by the Secured Creditors as contemplated in Section 5 hereof, or (h) any invalidity, rescission, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of any security therefor.

3. OBLIGATIONS OF GUARANTORS INDEPENDENT. The obligations of each Guarantor hereunder are independent of the obligations of any other Guarantor, any other guarantor or any Borrower, and a separate action or actions may be brought and prosecuted against each Guarantor whether or not action is brought against any other Guarantor, any other guarantor or any Borrower and whether or not any other Guarantor, any other guarantor or the Borrowers be joined in any such action or actions.

4. WAIVERS BY GUARANTORS. (a) Each Guarantor hereby waives notice of acceptance of this Guaranty and notice of the existence, creation or incurrence of any new or additional liability to which it may apply, and waives promptness, diligence, presentment, demand of payment, demand for performance, protest, notice of dishonor or nonpayment of any such liabilities, suit or taking of other action by the Administrative Agent or any other Secured Creditor against, and any other notice to, any party liable thereon (including such Guarantor, any other Guarantor, any other guarantor or any Borrower) and each Guarantor further hereby waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice or proof of reliance by any Secured Creditor upon this Guaranty, and the Guaranteed Obligations shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified, supplemented or waived, in reliance upon this Guaranty.

(b) Each Guarantor waives any right to require the Secured Creditors to: (i) proceed against the Borrowers, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party; (ii) proceed against or exhaust any security held from the Borrowers, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party; or (iii) pursue any other remedy in the Secured Creditors' power whatsoever. Each Guarantor waives any defense based on or arising out of any defense of the Borrowers, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party other than payment in full in cash of the Guaranteed Obligations, including, without limitation, any defense based on or arising out of the disability of the Borrowers, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrowers other than payment in full in cash of the Guaranteed Obligations. The Secured Creditors may, at their election and in accordance with the security documents governing the same, foreclose on any collateral serving as security held by the Administrative Agent, the Collateral Agent or the other Secured Creditors by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Secured Creditors

may have against the Borrowers or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Guaranteed Obligations have been paid in full in cash. Each Guarantor waives any defense arising out of any such election by the Secured Creditors, even though such election operates to impair or extinguish any right of reimbursement, contribution, indemnification or subrogation or other right or remedy of such Guarantor against the Borrowers, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party or any security.

(c) Each Guarantor hereby waives the benefits of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by the Borrowers or other circumstance which operates to toll any statute of limitations as to the Borrowers shall operate to toll the statute of limitations as to each Guarantor.

(d) Each Guarantor has knowledge and assumes all responsibility for being and keeping itself informed of each Borrower's and each other Guarantor's financial condition, affairs and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which such Guarantor assumes and incurs hereunder, and has adequate means to obtain from each Borrower and each other Guarantor on an ongoing basis information relating thereto and to each Borrower's and each other Guarantor's ability to pay and perform its respective Guaranteed Obligations, and agrees to assume the responsibility for keeping, and to keep, so informed for so long as this Guaranty is in effect. Each Guarantor acknowledges and agrees that (x) the Secured Creditors shall have no obligation to investigate the financial condition or affairs of the Borrowers or any other Guarantor for the benefit of such Guarantor nor to advise such Guarantor of any fact respecting, or any change in, the financial condition, assets or affairs of the Borrowers or any other Guarantor that might become known to any Secured Creditor at any time, whether or not such Secured Creditor knows or believes or has reason to know or believe that any such fact or change is unknown to such Guarantor, or might (or does) increase the risk of such Guarantor as guarantor hereunder, or might (or would) affect the willingness of such Guarantor to continue as a guarantor of the Guaranteed Obligations hereunder and (y) the Secured Creditors shall have no duty to advise any Guarantor of information known to them regarding any of the aforementioned circumstances or risks.

(e) Each Guarantor hereby acknowledges and agrees that no Secured Creditor or any other Person shall be under any obligation (a) to marshal any assets in favor of such Guarantor or in payment of any or all of the liabilities of any Borrower under the Credit Documents or the obligation of such Guarantor hereunder or (b) to pursue any other remedy that such Guarantor may or may not be able to pursue itself, any right to which such Guarantor hereby waives.

(f) Each Guarantor warrants and agrees that each of the waivers set forth in Section 3 and in this Section 4 is made with full knowledge of its significance and consequences and that if any of such waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective only to the maximum extent permitted by applicable law.

5. RIGHTS OF SECURED CREDITORS. Subject to Section 4, any Secured Creditor may (except as shall be required by applicable law and cannot be waived) at any time

and from time to time without the consent of, or notice to, any Guarantor, without incurring responsibility to such Guarantor, without impairing or releasing the obligations or liabilities of such Guarantor hereunder, upon or without any terms or conditions and in whole or in part:

(a) change the manner, place or terms of payment of, and/or change, increase or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including, without limitation, any increase or decrease in the rate of interest thereon or the principal amount thereof), any security therefor, or any liability incurred directly or indirectly in respect thereof, and the guaranty herein made shall apply to the Guaranteed Obligations as so changed, extended, increased, accelerated, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, surrender, impair, realize upon or otherwise deal with in any manner and in any order any property or other collateral by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against the Borrowers, any other Credit Party, any Subsidiary thereof, any other guarantor of the Guaranteed Obligations or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, Guarantors, other guarantors, the Borrowers or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of a Borrower to creditors of such Borrower other than the Secured Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrowers to the Secured Creditors regardless of what liabilities of the Borrowers remain unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, any of the Credit Documents or any of the instruments or agreements referred to therein, or otherwise amend, modify or supplement any of the Credit Documents or any of such other instruments or agreements;

(h) act or fail to act in any manner which may deprive such Guarantor of its right to subrogation against the Borrowers to recover full indemnity for any payments made pursuant to this Guaranty, and/or

(i) take any other action or omit to take any other action which would under otherwise applicable principles of common law, give rise to a legal or equitable discharge of such Guarantor from its liabilities under this Guaranty (including, without limitation, any action or omission whatsoever that might otherwise vary the risk of such Guarantor or constitute a legal

or equitable defense to or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against such Guarantor).

No invalidity, illegality, irregularity or enforceability of all or any part of the Guaranteed Obligations, the Credit Documents or any other agreement or instrument relating to the Guaranteed Obligations or of any security or guarantee therefor shall affect, impair or be a defense to this Guaranty, and this Guaranty shall be primary, absolute and unconditional notwithstanding the occurrence of any event or the existence of any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor except payment in full in cash of the Guaranteed Obligations.

6. CONTINUING GUARANTY. This Guaranty is a continuing one and all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. No failure or delay on the part of any Secured Creditor in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly specified are cumulative and not exclusive of any rights or remedies which any Secured Creditor would otherwise have. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other further notice or demand in similar or other circumstances or constitute a waiver of the rights of any Secured Creditor to any other or further action in any circumstances without notice or demand. It is not necessary for any Secured Creditor to inquire into the capacity or powers of the Borrowers or the officers, directors, partners or agents acting or purporting to act on its or their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

7. SUBORDINATION OF INDEBTEDNESS HELD BY GUARANTORS. Any indebtedness of any Borrower now or hereafter held by any Guarantor is hereby subordinated to the indebtedness of such Borrower to the Secured Creditors, and such indebtedness of any Borrower to any Guarantor, if the Administrative Agent or the Collateral Agent, after an Event of Default has occurred and is continuing, so requests, shall be collected, enforced and received by such Guarantor as trustee for the Secured Creditors and be paid over to the Secured Creditors on account of the indebtedness of the Borrowers to the Secured Creditors, but without affecting or impairing in any manner the liability of such Guarantor under the other provisions of this Guaranty. Prior to the transfer by any Guarantor of any note or negotiable instrument evidencing any indebtedness of any Borrower to such Guarantor, such Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination. Without limiting the generality of the foregoing, each Guarantor hereby agrees with the Secured Creditors that it will not exercise any right of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the Bankruptcy Code or otherwise) until all Guaranteed Obligations have been irrevocably paid in full in cash; provided, that if any amount shall be paid to any Guarantor on account of such subrogation rights at any time prior to the irrevocable payment in full in cash of all the Guaranteed Obligations, such amount shall be held in trust for the benefit of the Secured Creditors and shall forthwith be paid to the Secured Creditors to be credited and applied to the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Documents or, if the Credit Documents do not provide for the application of such amount, to be held by the Secured

Creditors as collateral security for any Guaranteed Obligations thereafter existing. Upon irrevocable payment in full in cash of all of the Guaranteed Obligations, each Guarantor shall be subrogated to the rights of the Secured Creditors to receive payments or distributions applicable to the Guaranteed Obligations until all Indebtedness of the Borrowers held by such Guarantor shall be paid in full.

8. GUARANTY ENFORCEABLE BY ADMINISTRATIVE AGENT OR COLLATERAL AGENT. Notwithstanding anything to the contrary contained elsewhere in this Guaranty or any other Credit Document, the Secured Creditors agree (by their acceptance of the benefits of this Guaranty) that this Guaranty may be enforced only by the action of the Administrative Agent or the Collateral Agent, in each case acting upon the instructions of the Required Lenders (to the extent required under the Credit Agreement) and that no other Secured Creditor will have any right individually to seek to enforce or to enforce this Guaranty or to realize upon the security to be granted by the Credit Documents, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent or the Collateral Agent, for the benefit of the Secured Creditors, upon the terms of this Guaranty and the other Credit Documents. Exercise by the Administrative Agent or the Collateral Agent of the powers granted under this Agreement is not a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Guarantor waives applicability thereof. The Secured Creditors further agree that this Guaranty may not be enforced against any director, officer, employee, partner, member or stockholder of any Guarantor (except to the extent such partner, member or stockholder is also a Guarantor hereunder). It is understood and agreed that the agreement in this Section 8 is among and solely for the benefit of the Secured Creditors.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF GUARANTORS. In order to induce the Lenders to make Loans to, and issue Letters of Credit for the account of, the Borrowers pursuant to the Credit Agreement, each Guarantor represents, warrants and covenants that:

(a) until the termination of the Total Revolving Commitment and until such time as no Loan or Letter of Credit remains outstanding and all Guaranteed Obligations have been paid in full (other than indemnities described in Section 11.01 of the Credit Agreement and analogous provisions in the other Credit Documents which are not then due and payable), such Guarantor will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in Sections 6 and 7 of the Credit Agreement, and so that no Event of Default, is caused by the actions of such Guarantor or any of its Subsidiaries; and

(b) an executed (or conformed) copy of each of the Credit Documents has been made available to a senior officer of such Guarantor and such officer is familiar with the contents thereof.

10. EXPENSES. The Guarantors hereby jointly and severally agree to pay all reasonable out-of-pocket costs and expenses of the Collateral Agent, the Administrative Agent and each other Secured Creditor in connection with the enforcement of this Guaranty and the protection of the Secured Creditors' rights hereunder (including the reasonable fees, disbursements and other charges of (x) counsel to the Administrative Agent and the Collateral

Agent and (y) the Financial Advisor); provided, that the Guarantors' obligation to pay the fees, disbursements and other charges of counsel to the Secured Parties (but not of counsel to the Administrative Agent or the Collateral Agent) shall be limited to one outside counsel, which as of the Closing Date, is Wachtell Lipton, Rosen and Katz) and of the Administrative Agent in connection with any amendment, waiver or consent relating hereto (including, without limitation, the reasonable fees and disbursements of counsel).

11. BENEFIT AND BINDING EFFECT. This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the Secured Creditors and their successors and assigns to the extent permitted under the Credit Agreement.

12. AMENDMENTS; WAIVERS. Neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated except with the written consent of each Guarantor directly affected thereby (it being understood that the addition or release of any Guarantor hereunder shall not constitute a change, waiver, discharge or termination affecting any Guarantor other than the Guarantor so added or released) and with the written consent of the Required Lenders (or, to the extent required by Section 11.11 of the Credit Agreement, with the written consent of each Lender) at all times prior to the time at which all Credit Document Obligations have been paid in full.

13. SET OFF. In addition to any rights now or hereafter granted under applicable law (including, without limitation, Section 151 of the New York Debtor and Creditor Law) and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default (such term to mean and include any "Event of Default" as defined in the Credit Agreement, each Secured Creditor is hereby authorized, at any time or from time to time, without notice to any Guarantor or to any other Person, any such notice being expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by such Secured Creditor to or for the credit or the account of such Guarantor, against and on account of the obligations and liabilities of such Guarantor to such Secured Creditor under this Guaranty, irrespective of whether or not such Secured Creditor shall have made any demand hereunder and although said obligations, liabilities, deposits or claims, or any of them, shall be contingent or natured. Each Secured Creditor (by its acceptance of the benefits hereof) acknowledges and agrees (i) to promptly notify the relevant Guarantor after any such set-off and application; provided, that the failure to give such notice shall not affect the validity of such set-off and application; and (ii) that the provisions of this Section 13 are subject to the sharing provisions set forth in Section 11.06 of the Credit Agreement.

14. NOTICE. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be sent or delivered by mail, telegraph, telex, telecopy, cable or courier service and all such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Administrative Agent or any Guarantor shall not be effective until received by the Administrative Agent or such Guarantor, as the case may be. All notices and other communications shall be in writing and addressed to such party at (i) in the case of any Secured

Creditor, as provided in the Credit Agreement, and (ii) in the case of any Guarantor, at its address set forth opposite its signature below.

15. REINSTATEMENT. If any claim is ever made upon any Secured Creditor for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations and any of the aforesaid payees repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over such payee or any of its property or (ii) any settlement or compromise of any such claim effected by such payee with any such claimant (including, without limitation, the Borrowers), then and in such event each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of any Note or any other instrument evidencing any liability of the Borrowers, and such Guarantor shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee.

16. CONSENT TO JURISDICTION; SERVICE OF PROCESS; AND WAIVER OF TRIAL BY JURY. (a) THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE SECURED CREDITORS AND OF THE UNDERSIGNED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. Except for matters within the exclusive jurisdiction of the Bankruptcy Court, any legal action or proceeding with respect to this Guaranty or any other Credit Document to which any Guarantor is a party may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, in each case located within the City of New York and, by execution and delivery of this Guaranty, each Guarantor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each Guarantor hereby further irrevocably waives any claim that any such courts lack jurisdiction over such Guarantor, and agrees not to plead or claim in any legal action or proceeding with respect to this Guaranty or any other Credit Document to which such Guarantor is a party brought in any of the aforesaid courts, that any such court lacks jurisdiction over such Guarantor. Each Guarantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to each Guarantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Each Guarantor hereby irrevocably waives any objection to such service of process and further irrevocably waives and agrees not to plead or claim in any action or proceeding commenced hereunder or under any other Credit Document to which such Guarantor is a party that such service of process was in any way invalid or ineffective. Nothing herein shall affect the right of any of the Secured Creditors to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against each Guarantor in any other jurisdiction.

(b) Except for matters within the exclusive jurisdiction of the Bankruptcy Court, each Guarantor hereby irrevocably waives (to the full extent permitted by applicable law) any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Guaranty or any other Credit

Document to which such Guarantor is a party brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) EACH GUARANTOR AND EACH SECURED CREDITOR (BY ITS ACCEPTANCE OF THE BENEFITS OF THIS GUARANTY) HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY, THE OTHER CREDIT DOCUMENTS TO WHICH SUCH GUARANTOR IS A PARTY OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

17. TERMINATION. After the Termination Date (as defined below), but subject to Section 15, this Guaranty shall terminate (provided that all indemnities set forth herein shall survive any such termination) and the Administrative Agent, at the request and expense of the respective Guarantor, will execute and deliver to such Guarantor a proper instrument or instruments acknowledging the satisfaction and termination of this Guaranty as provided above. As used in this Guaranty, ‘‘Termination Date” shall mean the date upon which the Total Revolving Commitment has been terminated, no Note or Letter of Credit under the Credit Agreement is outstanding (and all Loans have been paid in full) and all other Obligations (as defined in the Credit Agreement) have been paid in full (other than arising from indemnities for which no request has been made).

18. CONTRIBUTION. At any time a payment in respect of the Guaranteed Obligations is made under this Guaranty, the right of contribution of each Guarantor against each other Guarantor shalt be determined as provided in the immediately following sentence, with the right of contribution of each Guarantor to be revised and restated as of each date on which a payment (a “Relevant Payment”) is made on the Guaranteed Obligations under this Guaranty. At any time that a Relevant Payment is made by a Guarantor that results in the aggregate payments made by such Guarantor in respect of the Guaranteed Obligations to and including the date of the Relevant Payment exceeding such Guarantor’s Contribution Percentage (as defined below) of the aggregate payments made by all Guarantors in respect of the Guaranteed Obligations to and including the date of the Relevant Payment (such excess, the “Aggregate Excess Amount”), each such Guarantor shall have a right of contribution against each other Guarantor who either has not made any payments or has made payments in respect of the Guaranteed Obligations to and including the date of the Relevant Payment in an aggregate amount less than such other Guarantor’s Contribution Percentage of the aggregate payments made to and including the date of the Relevant Payment by all Guarantors in respect of the Guaranteed Obligations (the aggregate amount of such deficit, the “Aggregate Deficit Amount”) in an amount equal to (x) a fraction the numerator of which is the Aggregate Excess Amount of such Guarantor and the denominator of which is the Aggregate Excess Amount of all Guarantors multiplied by (y) the Aggregate Deficit Amount of such other Guarantor. A Guarantor’s right of contribution pursuant to the preceding sentences shall arise at the time of each computation, subject to adjustment at the time of each computation; provided, that no Guarantor may take any action to enforce such right until the Guaranteed Obligations have been irrevocably paid in full in cash and the Total Revolving Commitment and all Letters of Credit have been terminated (or have expired, undrawn), it being expressly recognized and agreed by all parties hereto that any Guarantor’s right of contribution arising pursuant to this Section 18 against any other Guarantor

shall be expressly junior and subordinate to such other Guarantor's obligations and liabilities in respect of the Guaranteed Obligations and any other obligations owing under this Guaranty. As used in this Section 18 (i) each Guarantor's "Contribution Percentage" shall mean the percentage obtained by dividing (x) the Adjusted Net Worth (as defined below) of such Guarantor by (y) the aggregate Adjusted Net Worth of all Guarantors; (ii) the "Adjusted Net Worth" of each Guarantor shall mean the greater of (x) the Net Worth (as defined below) of such Guarantor and (y) zero; and (iii) the "Net Worth" of each Guarantor shall mean the amount by which the fair saleable value of such Guarantor's assets on the date of any Relevant Payment exceeds its existing debts and other liabilities (including contingent liabilities, but without giving effect to any Guaranteed Obligations arising under this Guaranty) on such date. All parties hereto recognize and agree that, except for any right of contribution arising pursuant to this Section 18, each Guarantor who makes any payment in respect of the Guaranteed Obligations shall have no right of contribution or subrogation against any other Guarantor in respect of such payment until all of the Guaranteed Obligations have been irrevocably paid in full in cash. Each of the Guarantors recognizes and acknowledges that the rights to contribution arising hereunder shall constitute an asset in favor of the party entitled to such contribution. In this connection, each Guarantor has the right to waive its contribution right against any Guarantor to the extent that after giving effect to such waiver such Guarantor would remain solvent, in the determination of the Required Lenders.

19. LIMITATION ON GUARANTEED OBLIGATIONS. Each Guarantor and each Secured Creditor (by its acceptance of the benefits of this Guaranty) hereby confirms that it is its intention that this Guaranty not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Code, the Uniform Fraudulent Conveyance Act of any similar Federal or state law. To effectuate the foregoing intention, each Guarantor and each Secured Creditor (by its acceptance of the benefits of this Guaranty) hereby irrevocably agrees that the Guaranteed Obligations guaranteed by such Guarantor shall be limited to such amount as will, after giving effect to such maximum amount and all other (contingent or otherwise) liabilities of such Guarantor that are relevant under such laws and after giving effect to any rights to contribution pursuant to any agreement providing for an equitable contribution among such Guarantor and the other Guarantors, result in the Guaranteed Obligations of such Guarantor in respect of such maximum amount not constituting a fraudulent transfer or conveyance.

20. COUNTERPARTS. This Guaranty may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrowers and the Administrative Agent.

21. PAYMENTS. All payments made by any Guarantor hereunder will be made without setoff, counterclaim or other defense and on the same basis as payments are made by the Borrowers under Sections 3.03 and 3.04 of the Credit Agreement.

22. HEADINGS DESCRIPTIVE. The headings of the several Sections of this Guaranty are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Guaranty.

[SIGNATURE PAGES OMITTED]

Exhibit 10.8

DEBTOR-IN-POSSESSION PLEDGE AGREEMENT

DEBTOR-IN-POSSESSION PLEDGE AGREEMENT, dated as of October 30, 2009 (as amended, restated, modified and/or supplemented from time to time, the "Agreement"), made by each of the undersigned pledgors, each of which is a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code (as defined in the Credit Agreement referred to below) (each, a "Pledgor" and collectively, the "Pledgors"), in favor of BANK OF AMERICA, N.A., as Collateral Agent (including any successor collateral agent, the "Pledgee") for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H :

WHEREAS, FairPoint Communications, Inc., a Delaware corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code ("FairPoint"), and FairPoint Logistics, Inc., a South Dakota corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code ("FairPoint Logistics"; and together with FairPoint, each a "Borrower" and collectively the "Borrowers") and each of the other Pledgors have filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and have continued in the possession of their assets and in the management of their businesses pursuant to Sections 1107 and 1108 of the Bankruptcy Code, and such reorganization cases are being jointly administered under Case Number 09-16335-brl (the "Cases");

WHEREAS, the Borrowers, the lenders from time to time party thereto (the "Lenders") and Bank of America, N.A., as Administrative Agent, have entered into a Debtor-In-Possession Credit Agreement, dated as of October 27, 2009 (as amended, modified, restated and/or supplemented from time to time, the "Credit Agreement"), providing for the making of Loans to, and the issuance of, and participation in, Letters of Credit for the account of the Borrowers and/or one or more of their Subsidiaries, all as contemplated therein (the Lenders, the Letter of Credit Issuer, the Administrative Agent, the Collateral Agent and the Pledgee are herein called the "Secured Creditors").

WHEREAS, it is a condition precedent to the making of Loans and the issuance of, and participation in, Letters of Credit under the Credit Agreement that each Pledgor shall have executed and delivered to the Pledgee this Agreement.

WHEREAS, each Pledgor desires to execute this Agreement to satisfy the condition described in the preceding paragraph.

NOW, THEREFORE, in consideration of the benefits accruing to each Pledgor, the receipt and sufficiency of which are hereby acknowledged, each Pledgor hereby makes the following representations and warranties to the Pledgee and hereby covenants and agrees with the Pledgee as follows:

1. SECURITY FOR OBLIGATIONS. This Agreement is made by each Pledgor for the benefit of the Secured Creditors to secure:

(i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities of the Borrowers (in the case of the Borrowers or an NSG Pledgor) or such Pledgor (in the case of a Pledgor that is a Subsidiary Guarantor), now existing or hereafter incurred under, arising out of or in connection with any Credit Document to which any Borrower or such Pledgor, as the case may be, is a party (including, in the case of a Pledgor that is a Subsidiary Guarantor, all such obligations of such Pledgor under the Subsidiary Guaranty) and the due performance of and compliance by the Borrowers or such Pledgor, as the case may be, with the terms of each such Credit Document (all such obligations and liabilities under this clause (i) being herein, collectively called the "Credit Document Obligations");

(ii) any and all sums advanced by the Pledgee in order to preserve the Collateral (as hereinafter defined) and/or its security interest therein;

(iii) in the event of any proceeding for the collection of the Obligations (as defined below) or the enforcement of this Agreement, after an Event of Default shall have occurred and be continuing, the reasonable out-of-pocket expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Pledgee of its rights hereunder (including the reasonable fees, disbursements and other charges if (x) counsel to the Administrative Agent, the Pledgee and the Secured Creditors and (y) the Financial Advisor); provided, that the Pledgors' obligation to pay the fees, disbursements and other charges of counsel to the Secured Creditors (but not of counsel to the Administrative Agent or the Pledgee) shall be limited to one outside counsel, which as of the Closing Date, is Wachtell Lipton, Rosen and Katz; and

(iv) all amounts paid by any Secured Creditor as to which such Secured Creditor has the right to reimbursement under Section 11 of this Agreement;

all such obligations, liabilities, sums and expenses set forth in clauses (i) through (iv) of this Section 1 being herein collectively called the "Obligations".

2. DEFINITIONS. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Credit Agreement. The following capitalized terms used herein shall have the definitions specified below:

"Certificated Security" shall have the meaning given such term in Section 8-102(a)(4) of the UCC.

"Clearing Corporation" shall have the meaning given such term in Section 8-102(a)(5) of the UCC.

"Collateral" shall have the meaning provided in Section 3.1.

"Collateral Accounts" shall mean any and all accounts established and maintained by the Pledgee in the name of any Pledgor to which Collateral may be credited.

"Excluded Entity" shall mean each of the corporations, partnerships, limited liability companies or associations listed on Annex F hereto where the capital stock or other equity interests of such corporations, partnerships, limited liability companies or associations are not permitted by applicable law, rule or regulation to be pledged by the direct or indirect Subsidiary of FairPoint that owns such capital stock or other equity interests.

"Financial Asset" shall have the meaning given such term in Section 8-102(a)(9) of the UCC.

"Instrument" shall have the meaning given such term in Section 9-102(a)(47) of the UCC.

"Investment Property" shall have the meaning given such term in Section 9-102(a)(49) of the UCC.

"Location" of any Pledgor has the meaning given such term in Section 9-307 of the UCC.

"Membership Interest" shall mean the entire membership interest at any time owned by any Pledgor in any limited liability company (other than, for the avoidance of doubt, an Excluded Entity).

"Notes" shall mean all promissory notes at any time issued to, or held by, any Pledgor.

"NSG Pledgor" shall mean each Pledgor which is not a Subsidiary Guarantor.

"Obligations" shall have the meaning provided in Section 1.

"Partnership Interest" shall mean the entire partnership interest (whether general and/or limited partnership interests) at any time owned by any Pledgor in any partnership (other than, for the avoidance of doubt, an Excluded Entity).

"Pledged LLC" shall mean any limited liability company (other than, for the avoidance of doubt, an Excluded Entity) in which any Pledgor owns a membership interest.

"Pledged Membership Interests" shall mean all Membership Interests at any time pledged or required to be pledged hereunder.

"Pledged Notes" shall mean all Notes at any time pledged or required to be pledged hereunder.

"Pledged Partnership" shall mean any partnership (other than, for the avoidance of doubt, an Excluded Entity) in which any Pledgor owns a partnership interest.

"Pledged Partnership Interests" shall mean all Partnership Interests at any time pledged or required to be pledged hereunder.

"Pledged Securities" shall mean all Pledged Stock, Pledged Notes, Pledged Partnership Interests and Pledged Membership Interests.

"Pledged Stock" shall mean all Stock at any time pledged or required to be pledged hereunder.

"Proceeds" shall have the meaning given such term in Section 9-102(a)(64) of the UCC.

"Registered Organization" shall have the meaning given such term in Section 9-102(a)(70) of the UCC.

"Securities" shall mean all of the Stock, Notes, Partnership Interests and Membership Interests.

"Securities Intermediary" shall have the meaning given such term in Section 8-102(14) of the UCC.

"Security Entitlement" shall have the meaning given such term in Section 8-102(a)(17) of the UCC.

"Stock" shall mean (x) all of the issued and outstanding shares of stock at any time owned by any Pledgor of any corporation (other than, for the avoidance of doubt, an Excluded Entity).

"Transmitting Utility" has the meaning given such term in Section 9-102(a)(80) of the UCC.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of New York from time to time; provided that all references herein to specific Sections or subsections of the UCC are references to such Sections or subsections, as the case may be, of the Uniform Commercial Code as in effect in the State of New York on the date hereof.

"Uncertificated Security" shall have the meaning given such term in Section 8-102(a)(18) of the UCC.

3. PLEDGE OF SECURITIES, ETC.

3.1 Pledge. To secure the Obligations now or hereafter owed or to be performed by such Pledgor, each Pledgor does hereby grant, pledge, hypothecate, mortgage, charge and assign to the Pledgee for the benefit of the Secured Creditors, and does hereby create a continuing security interest in favor of the Pledgee for the benefit of the Secured Creditors in, all of its right, title and interest in and to the following, whether now existing or hereafter from time to time acquired (collectively, the "Collateral"):

(i) all of the Securities owned or held by such Pledgor from time to time and all options and warrants owned by such Pledgor from time to time to purchase Securities (and all certificates or instruments evidencing such Securities);

(ii) each Collateral Account, including any and all assets of whatever type or kind deposited by such Pledgor in any such Collateral Account, whether now owned or hereafter acquired, existing or arising (including, without limitation, all Financial Assets, Investment Property, monies, checks, drafts, Instruments or interests therein of any type or nature deposited or required by the Credit Agreement or any other Credit Document to be deposited in such Collateral Account, and all investments and all certificates and other instruments (including depository receipts, if any) from time to time representing or evidencing the same, and all dividends, interest, distributions, cash and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing);

(iii) all of such Pledgor's (x) Partnership Interest and all of such Pledgor's right, title and interest in each Pledged Partnership and (y) Membership Interest and all of such Pledgor's right, title and interest in each Pledged LLC, in each case including, without limitation:

(a) all the capital thereof and its interest in all profits, losses and other distributions to which such Pledgor shall at any time be entitled in respect of such Partnership Interest and/or Membership Interest;

(b) all other payments due or to become due to such Pledgor in respect of such Partnership Interest and/or Membership Interest, whether under any partnership agreement, limited liability company agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(c) all of its claims, rights, powers, privileges, authority, options, security interest, liens and remedies, if any, under any partnership agreement, limited liability company agreement or at law or otherwise in respect of such Partnership Interest and/or Membership Interest;

(d) all present and future claims, if any, of the Pledgor against any Pledged Partnership and any Pledged LLC for moneys loaned or advanced, for services rendered or otherwise;

(e) all of such Pledgor's rights under any partnership agreement or limited liability company agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to the Partnership Interest and/or Membership Interest, including any power to terminate, cancel or modify any partnership agreement or any limited liability company agreement, to execute any instruments and to take any and all other action on behalf of and in the name of such Pledgor in respect of any Partnership Interest or Membership Interest and any Pledged Partnership and any Pledged LLC to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing, to enforce or

execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing; and

(f) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof;

(iv) all Security Entitlements owned by such Pledgor from time to time in any and all of the foregoing; and

(v) all Proceeds of any and all of the foregoing.

3.2 Perfection and Priority. Upon the entry of the Interim Order and the Final Order, as applicable, all Liens and security interests granted to the Pledgee hereunder shall constitute valid and perfected Liens on all of the Collateral having the priority specified therein and shall automatically, and without further action by any Person, perfect such Liens and security interests against the Collateral; provided, however, nothing herein shall prevent the Pledgee from otherwise perfecting, maintaining, protecting or enforcing the Liens and security interests in the Collateral granted hereunder. Notwithstanding any failure on the part of any Pledgor to take any action required by this Agreement, or perform or fulfill any of the obligations of such Pledgor under or pursuant to this Agreement, the Liens and security interests granted herein shall be deemed valid, enforceable and perfected by entry of each Financing Order. No financing statement, notice of lien, mortgage, deed of trust or similar instrument in any jurisdiction or filing office need be filed or any other action taken in order to validate and perfect the Liens and security interest granted by or pursuant to this Agreement or the Financing Orders.

3.3 Claim Priorities. All Obligations shall constitute, in accordance with Section 364(c)(1) of the Bankruptcy Code, claims against each Pledgor in its Case that are administrative expense claims having priority over any and all administrative expenses of the kind specified in Sections 503(b) or 507(b) of the Bankruptcy Code, subject only to the Carve-Out.

3.4 Modifications.

(a) The Liens, lien priority, administrative priorities and other rights and remedies granted to the Pledgee pursuant to this Agreement and the Financing Orders (including the existence, perfection and priority of the Liens provided herein and therein and the administrative priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of any Indebtedness by any of the Pledgors (pursuant to Section 364 of the Bankruptcy Code or otherwise), or by any dismissal or conversion of any Case, or by any other act or omission whatsoever. Without limitation, notwithstanding any such order, financing, extension, incurrence, dismissal, conversion, act or omission:

(i) except for the Carve-Out having priority over the Obligations, no costs or expenses of administration that have been or may be incurred in any of the Cases or any conversion of the same or in any other proceedings related thereto, and no priority claims, are or shall be prior to or on a parity with any claim of the Secured Creditors against the Pledgors in respect of any Obligation;

(ii) the Liens granted herein and in the Financing Orders shall constitute valid and perfected first priority Liens and security interests and shall be prior to all other Liens, now existing or hereafter arising, in favor of any other creditor or any other Person whatsoever (subject only to (A) valid, perfected, nonavoidable and enforceable Liens existing as of the Petition Date, (B) the extent such postpetition perfection is expressly permitted by the Bankruptcy Code, valid, nonavoidable and enforceable Liens existing as of the Petition Date, but perfected after the Petition Date, and (C) the Carve-Out);

(iii) the Liens granted hereunder shall continue valid and perfected without the necessity that financing statements be filed or that any other action be taken under applicable nonbankruptcy law; and

(iv) notwithstanding any failure on the part of any Credit Party or the Secured Creditors to perfect, maintain, protect or enforce the Liens in the Collateral granted hereunder, the Financing Orders shall, automatically and without further action by any Person, perfect such Liens against the Collateral.

3.5 Procedures. (a) To the extent that any Pledgor at any time or from time to time owns, acquires or obtains any right, title or interest in any Collateral, such Collateral shall automatically (and without the taking of any action by such Pledgor) be pledged pursuant to Section 3.1 of this Agreement and, in addition thereto, such Pledgor shall (to the extent provided below) forthwith take the following actions as set forth below:

(i) with respect to a Certificated Security (other than a Certificated Security credited on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall physically deliver such Certificated Security to the Pledgee, endorsed to the Pledgee or endorsed in blank;

(ii) with respect to an Uncertificated Security (other than an Uncertificated Security credited on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall cause the issuer of such Uncertificated Security to duly authorize, execute, and deliver to the Pledgee, an agreement for the benefit of the Pledgee and the other Secured Creditors substantially in the form of Annex E hereto (appropriately completed to the satisfaction of the Pledgee and with such modifications, if any, as shall be satisfactory to the Pledgee) pursuant to which such issuer agrees to comply with any and all instructions originated by the Pledgee without further consent by the registered owner and not to comply with instructions regarding such Uncertificated Security (and any Partnership Interests and Membership Interests issued by such issuer) originated by any other Person other than a court of competent jurisdiction;

(iii) with respect to a Certificated Security, Uncertificated Security, Partnership Interest or Membership Interest credited on the books of a Clearing Corporation or Securities Intermediary (including a Federal Reserve Bank, Participants Trust Company or The Depository Trust Company), such Pledgor shall promptly notify the Pledgee thereof and shall promptly take (x) all actions required (i) to comply with the applicable rules of such Clearing Corporation or Securities Intermediary and (ii) to perfect the security interest of the Pledgee under applicable law (including, in any event, under Sections 9-314(a), (b) and (c), 9-106 and 8-106(d) of the UCC) and (y) such other actions as the Pledgee deems necessary or desirable to effect the foregoing;

(iv) with respect to a Partnership Interest or a Membership Interest (other than a Partnership Interest or Membership Interest credited on the books of a Clearing Corporation or Securities Intermediary), (1) if such Partnership Interest or Membership Interest is represented by a certificate and is a Security for purposes of the UCC, the procedure set forth in Section 3.5(a)(i) hereof; and (2) if such Partnership Interest or Membership Interest is not represented by a certificate or is not a Security for purposes of the UCC, the procedure set forth in Section 3.5(a)(ii) hereof;

(v) with respect to any Note, physical delivery of such Note to the Pledgee, endorsed in blank, or, at the request of the Pledgee, endorsed to the Pledgee; and

(vi) with respect to cash proceeds from any of the Collateral described in Section 3.1 hereof, (i) the establishment by the Pledgee of a cash account in the name of such Pledgor over which the Pledgee shall have "control" within the meaning of the UCC and, at any time any Event of Default is in existence, no withdrawals or transfers may be made therefrom by any Person except with the prior written consent of the Pledgee and (ii) the deposit of such cash in such cash account.

(b) In addition to the actions required to be taken pursuant to Section 3.5(a) hereof, each Pledgor shall take the following additional actions with respect to the Collateral:

(i) with respect to all Collateral of such Pledgor whereby or with respect to which the Pledgee may obtain "control" thereof within the meaning of Section 8-106 of the UCC (or under any provision of the UCC as same may be amended or supplemented from time to time, or under the laws of any relevant State other than the State of New York), such Pledgor shall take all actions as may be requested from time to time by the Pledgee so that "control" of such Collateral is obtained and at all times held by the Pledgee; and

(ii) if requested by Pledgee, each Pledgor shall from time to time cause appropriate financing statements (on appropriate forms) under the Uniform Commercial Code as in effect in the various relevant States, covering all Collateral hereunder (with the form of such financing statements to be satisfactory to the Pledgee), to be filed in the relevant filing offices so that at all times the Pledgee's security interest in all Investment Property and other Collateral which can be perfected by the filing of such financing statements (in each case to the maximum extent perfection by filing may be obtained

under the laws of the relevant States, including, without limitation, Section 9-312(a) of the UCC) is so perfected.

3.6 Subsequently Acquired Collateral. If any Pledgor shall acquire (by purchase, stock dividend or otherwise) any additional Collateral at any time or from time to time after the date hereof, such Pledgor will forthwith thereafter take (or cause to be taken) all action with respect to such Collateral in accordance with the procedures set forth in Section 3.5 hereof, and will promptly thereafter deliver to the Pledgee a certificate executed by a principal executive officer of such Pledgor describing such Collateral and certifying that the same have been duly pledged with the Pledgee hereunder.

3.7 Certain Representations and Warranties Concerning the Collateral. Each Pledgor represents and warrants that on the date hereof: (a) each Subsidiary of such Pledgor whose equity interest is required to be pledged hereunder, and the direct ownership thereof, is listed on Annex A hereto; (b) the Stock held by such Pledgor consists of the number and type of shares of the stock of the corporations as described in Annex B hereto; (c) such Stock constitutes that percentage of the issued and outstanding capital stock of the issuing corporation as set forth in Annex B hereto; (d) the Notes held by such Pledgor consist of the promissory notes described in Annex C hereto; (e) such Pledgor is the holder of record and sole beneficial owner of the Stock and Notes held by such Pledgor and there exists no options or preemption rights in respect of any of the Stock; (f) the Partnership Interests and Membership Interests, as the case may be, held by such Pledgor constitute that percentage of the entire interest of the respective Pledged Partnership or Pledged LLC, as the case may be, as is set forth under its name in Annex D hereto; (g) on the date hereof, such Pledgor owns or possesses no other Securities except as described on Annexes B, C and D hereto; and (h) the Pledgor has complied with the respective procedure set forth in Section 3.5(a) hereof with respect to each item of Collateral described in Annexes B, C and D hereto.

4. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. The Pledgee shall have the right to appoint one or more sub-agents for the purpose of retaining physical possession of the Pledged Securities, which may be held (in the discretion of the Pledgee) in the name of the relevant Pledgor, endorsed or assigned in blank or in favor of the Pledgee or any nominee or nominees of the Pledgee or a sub-agent appointed by the Pledgee.

5. VOTING, ETC., WHILE NO EVENT OF DEFAULT. Unless and until there shall have occurred and be continuing an Event of Default, each Pledgor shall be entitled to exercise all voting rights attaching to any and all Pledged Securities owned by it, and to give consents, waivers or ratifications in respect thereof, provided that no vote shall be cast or any consent, waiver or ratification given or any action taken which would violate, result in breach of any covenant contained in, or be inconsistent with, any of the terms of this Agreement, the Credit Agreement or any other Credit Document , or which would have the effect of impairing the value of the Collateral or any part thereof or the position or interests of the Pledgee or any other Secured Creditor therein. All such rights of a Pledgor to vote and to give consents, waivers and ratifications shall cease in case an Event of Default shall occur and be continuing and Section 7 hereof shall become applicable.

6. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless and until an Event of Default shall have occurred and be continuing, all cash dividends, distributions or other amounts payable in respect of the Pledged Securities shall be paid to the respective Pledgor, provided that all dividends, distributions or other amounts payable in respect of the Pledged Securities which are determined by the Pledgee, in its absolute discretion, to represent in whole or in part an extraordinary, liquidating or other distribution in return of capital not permitted by the Credit Agreement shall be paid, to the extent so determined to represent an extraordinary, liquidating or other distribution in return of capital not permitted by the Credit Agreement, to the Pledgee and retained by it as part of the Collateral (unless such cash dividends or distributions are applied to repay the Obligations pursuant to Section 9 of this Agreement). The Pledgee shall also be entitled to receive directly, and to retain as part of the Collateral:

(i) all other or additional stock, notes, membership interests, partnership interests or other securities or property (other than cash) paid or distributed by way of dividend or otherwise in respect of the Collateral;

(ii) all other or additional stock, notes, membership interests, partnership interests or other securities or property (including cash) paid or distributed in respect of the Collateral by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and

(iii) all other or additional stock, notes, membership interests, partnership interests or other securities or property (including cash) which may be paid in respect of the Collateral by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate reorganization.

Nothing contained in this Section 6 shall limit or restrict in any way the Pledgee's right to receive the proceeds of the Collateral in any form in accordance with Section 3 of this Agreement. All dividends, distributions or other payments which are received by the respective Pledgor contrary to the provisions of this Section 6 or Section 7 shall be received in trust for the benefit of the Pledgee, shall be segregated from other property or funds of such Pledgor and shall be forthwith paid over to the Pledgee as Collateral in the same form as so received (with any necessary endorsement).

7. REMEDIES IN CASE OF AN EVENT OF DEFAULT. In case an Event of Default shall have occurred and be continuing, the Pledgee shall upon five (5) days' notice to the Pledgors (with a copy to counsel for the Committee and to the United States Trustee for the Southern District of New York) be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement or any other Credit Document or by law) for the protection and enforcement of its rights in respect of the Collateral, including, without limitation, all the rights and remedies of a secured party upon default under the Uniform Commercial Code of the State of New York, and the Pledgee shall be entitled, without limitation, to exercise any or all of the following rights, which each Pledgor hereby agrees to be commercially reasonable:

(i) to receive all amounts payable in respect of the Collateral otherwise payable under Section 6 to such Pledgor,

(ii) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(iii) to accelerate any Pledged Note which may be accelerated in accordance with its terms, and take any other lawful action to collect upon any Pledged Note (including, without limitation, to make any demand for payment thereon);

(iv) to vote all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so);

(v) to set off any and all Collateral against any and all Obligations, and to withdraw any and all cash or other Collateral from any and all Collateral Accounts and to apply such cash and other Collateral to the payment of any and all Obligations; and

(vi) at any time or from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the Collateral, or any interest therein, at any public or private sale, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby waived by each Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine, provided that at least 10 days' notice of the time and place of any such sale shall be given to such Pledgor. The Pledgee shall not be obligated to make such sale of Collateral regardless of whether any such notice of sale has theretofore been given. Each purchaser at any such sale shall hold the property so sold absolutely free from any claim or right on the part of any Pledgor, and each Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise, and all rights, if any, of stay and/or appraisal which it

now has or may at any time in the future have under rule of law or statute now existing or hereafter enacted. At any such sale, unless prohibited by applicable law, the Pledgee on behalf of all Secured Creditors (or certain of them) may bid for and purchase (by bidding in Obligations or otherwise) all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Pledgee nor any Secured Creditor shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall it be under any obligation to take any action whatsoever with regard thereto.

8. REMEDIES, ETC., CUMULATIVE. Each right, power and remedy of the Pledgee provided for in this Agreement or any other Credit Document, or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any other Secured Creditor of any one or more of the rights, powers or remedies provided for in this Agreement or any other Credit Document or now or hereafter

existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any other Secured Creditor of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any other Secured Creditor to exercise any such right, power or remedy shall operate as a waiver thereof. Unless otherwise required by the Credit Documents, no notice to or demand on any Pledgor in any case shall entitle it to any other or further notice or demand in similar other circumstances or constitute a waiver of any of the rights of the Pledgee or any other Secured Creditor to any other further action in any circumstances without demand or notice. The Secured Creditors agree that this Agreement may be enforced only by the action of the Administrative Agent or the Pledgee, in each case acting upon the instructions of the Required Lenders and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent or the Pledgee for the benefit of the Secured Creditors upon the terms of this Agreement. Exercise by the Collateral Agent of the powers granted under this Agreement is not a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Pledgor waives applicability thereof. The Secured Creditors shall be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the "equities of the case" exception under section 552(b) of the Bankruptcy Code shall not apply to the Secured Creditors with respect to proceeds, product, offspring or profits of any of the Collateral.

9. APPLICATION OF PROCEEDS. (a) All moneys collected by the Pledgee or the Collateral Agent upon any sale or other disposition of the Collateral, together with all other moneys received by the Pledgee or the Collateral Agent hereunder, shall be applied as follows:

(i) first, to the payment of all Obligations owing to the Pledgee or the Collateral Agent of the type described in clauses (ii) and (iii) of the definition of "Obligations" contained in Section 1 hereof;

(ii) second, to the extent proceeds remain after the application pursuant to preceding clause (i), an amount equal to the outstanding Obligations to the Secured Creditors shall be paid to the Secured Creditors as provided in Section 9(c), with each Secured Creditor receiving an amount equal to its outstanding Obligations or, if the proceeds are insufficient to pay in full all such Obligations, its Pro Rata, Share of the amount remaining to be distributed to be applied, with respect to the Obligations, firstly, to the payment of interest in respect of the unpaid principal amount of Loans outstanding, secondly, to the payment of principal of Loans outstanding, then to the other Obligations; and

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii) and following the termination of this Agreement pursuant to Section 18 hereof, to the relevant Pledgor or, to the extent directed by such Pledgor or a court of competent jurisdiction, to whomever may be lawfully entitled to receive such surplus.

(b) For purposes of this Agreement, "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, the amount (expressed as a percentage) equal to a fraction the numerator of which is the then outstanding amount of the relevant Obligations owed such Secured Creditor and the denominator of which is the then outstanding amount of all Obligations.

(c) All payments required to be made to the Secured Creditors hereunder shall be made to the Administrative Agent for the account of the respective Secured Creditors.

(d) It is understood that each Pledgor shall remain jointly and severally liable to the extent of any deficiency between (x) the amount of the Obligations for which it is liable directly or as a Guarantor that are satisfied with proceeds of the Collateral and (y) the aggregate outstanding amount of the Obligations.

10. PURCHASERS OF COLLATERAL. Upon any sale of the Collateral by the Pledgee hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Pledgee or such officer or be answerable in any way for the misapplication or nonapplication thereof.

11. INDEMNITY. Each Pledgor jointly and severally agrees (i) to indemnify and hold harmless the Pledgee and the other Secured Creditors from and against any and all claims, demands, losses, judgments and liabilities (including liabilities for penalties) of whatsoever kind or nature, except (x) for those arising from such Person's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final and non-appealable decision and (ii) to the extent such claims, demands, losses, judgments and liabilities arise out of or in connection with any investigation, litigation or other proceeding that does not involve an act or omission by a Borrower or any Affiliate thereof and that is brought by one Lender (in its capacity as such) against any other Lenders (in its capacity as such) and (ii) to reimburse the Pledgee for all reasonable out-of-pocket costs and expenses, including reasonable attorneys' fees, arising in connection with any amendment, waiver or modification to this Agreement and the administration thereof and the Pledgee and the other Secured Creditors for all reasonable costs and expenses (including reasonable attorney's fees) growing out of or resulting from the exercise by the Pledgee of any right or remedy granted to it hereunder or under any other Credit Document (including the reasonable fees, disbursements and other charges of (x) counsel to the Administrative Agent and the Pledgee and (y) the Financial Advisor); provided, that the Pledgors' obligation to pay the fees, disbursements and other charges of counsel to the Secured Creditors (but not of counsel to the Administrative Agent or the Pledgee) shall be limited to one outside counsel, which, as of the Closing Date, is Wachtell, Lipton, Rosen & Katz). In no event shall the Pledgee be liable, in the absence of gross negligence or willful misconduct on its part (as determined by a court of competent jurisdiction in a final and non-appealable decision), for any matter or thing in connection with this Agreement other than to account for moneys or other property actually received by it in accordance with the terms hereof. If and to the extent that the obligations of any Pledgor under this Section 11 are unenforceable

for any reason, such Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

12. FURTHER ASSURANCES; POWER OF ATTORNEY. (a) Each Pledgor agrees that it will join with the Pledgee in executing and, at such Pledgor's own expense, file and refile under the Uniform Commercial Code such financing statements, continuation statements and other documents in such offices as the Pledgee may reasonably deem necessary or appropriate and wherever required or permitted by law in order to perfect and preserve the Pledgee's security interest in the Collateral hereunder and hereby authorizes the Pledgee to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of such Pledgor where permitted by law, and agrees to do such further acts and things and to execute and deliver to the Pledgee such additional conveyances, assignments, agreements and instruments as the Pledgee may reasonably require or deem advisable to carry into effect the purposes of this Agreement or to further assure and confirm unto the Pledgee its rights, powers and remedies hereunder or thereunder.

(b) Each Pledgor hereby appoints the Pledgee, such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time after the occurrence and during the continuance of an Event of Default, in the Pledgee's reasonable discretion to take any action and to execute any instrument which the Pledgee may reasonably deem necessary or advisable to accomplish the purposes of this Agreement.

13. THE PLEDGEE AS COLLATERAL AGENT. The Pledgee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement. The Pledgee shall act hereunder on the terms and conditions set forth herein and in Section 10 of the Credit Agreement. If any Pledgor fails to perform or comply with any of its agreements contained in this Agreement and the Pledgee, as provided for by the terms of this Agreement or any other Credit Document, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Pledgee incurred in connection with such performance or compliance, together with interest thereon at the rate then in effect in respect of the Loans, shall be payable by such Pledgor to the Pledgee on demand and shall constitute Obligations secured by the Collateral. Performance of such Pledgor's obligations as permitted under this Section 13 shall in no way constitute for the purpose of the Cases a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Pledgor hereby waives applicability thereof. Moreover, the Pledgee shall in no way be responsible for the payment of any costs incurred in connection with preserving or disposing of Collateral pursuant to Section 506(c) of the Bankruptcy Code and the Collateral may not be charged for the incurrence of any such cost.

14. TRANSFER BY THE PLEDGORS. No Pledgor will sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber any of the Collateral or any interest therein (except in accordance with the terms of this Agreement and the other Credit Documents).

15. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PLEDGORS. (a) Each Pledgor represents, warrants and covenants that:

(i) it is, or at the time when pledged hereunder will be, the legal, beneficial and record owner of, and has (or will have) good and marketable title to, all Securities pledged by it hereunder, subject to no pledge, lien, mortgage, hypothecation, security interest, charge, option or other encumbrance whatsoever, except (x) the liens and security interests created by this Agreement and (y) liens in favor of the Prepetition Agent;

(ii) subject to the entry of the Financing Orders by the Bankruptcy Court, it has full power, authority and legal right to pledge all the Collateral pledged by it pursuant to this Agreement;

(iii) this Agreement has been duly authorized, executed and delivered by such Pledgor and, subject to the Financing Orders, constitutes a legal, valid and binding obligation of such Pledgor enforceable in accordance with its terms;

(iv) except to the extent already obtained or made and, subject to the entry of the Financing Orders, no consent of any other party (including, without limitation, any stockholder, limited or general partner, member or creditor of such Pledgor or any of its Subsidiaries) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required to be obtained by such Pledgor in connection with (a) the execution, delivery or performance of this Agreement, (b) the validity or enforceability of this Agreement, (c) the perfection or enforceability of the Pledgee's security interest in the Collateral or (d) except for compliance with or as may be required by applicable securities laws, the exercise by the Pledgee of any of its rights or remedies provided herein;

(v) the execution, delivery and performance of this Agreement by such Pledgor will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or governmental instrumentality applicable to such Pledgor, or of the certificate of incorporation, certificate of formation, by-laws, certificate of limited partnership, partnership agreement or limited liability company agreement, as the case maybe, of such Pledgor or of any securities issued by such Pledgor or any of its Subsidiaries, or of any mortgage, indenture, deed of trust or other material, agreement or instrument or undertaking to which such Pledgor or any of its Subsidiaries is a party or which purports to be binding upon such Pledgor or any of its Subsidiaries or upon any of their respective assets (other than existing Indebtedness set forth on Annex XI to the Credit Agreement) and will not result in the creation or imposition of (or the obligation to create or impose) any lien or encumbrance on any of the assets of such Pledgor or any of its Subsidiaries except as contemplated by this Agreement;

(vi) all the shares of the Stock have been duly and validly issued, are fully paid and non-assessable and are subject to no options to purchase or similar rights;

(vii) each of the Pledged Notes constitutes, or when executed by the obligor thereof will constitute, the legal, valid and binding obligation of such obligor, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(viii) subject to the entry of the Financing Orders by the Bankruptcy Court, it has the unqualified right to pledge and grant a security interest in the Partnership Interests and Membership Interests as herein provided without the consent of any other Person, firm, association or entity which has not been obtained;

(ix) the Partnership Interests and the Membership Interests pledged by it pursuant to this Agreement have been validly acquired and are fully paid for and are duly and validly pledged hereunder,

(x) it is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any partnership agreement or limited liability company agreement to which such Pledgor is a party, and such Pledgor is not in violation of any other material provisions of any partnership agreement or limited liability company agreement to which such Pledgor is a party, or otherwise in default or violation thereunder, no Partnership Interest or Membership Interest is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against such Pledgor by any Person with respect thereto and as of the Closing Date, there are no certificates, instruments, documents or other writings (other than the partnership agreements and certificates, if any, delivered to the Collateral Agent) which evidence any Partnership Interest or Membership Interest of such Pledgor;

(xi) other than financing statements pursuant to Liens permitted under Section 7.03 of the Credit Agreement, there are no currently effective financing statements under the UCC covering any property which is now or hereafter may be included in the Collateral and such Pledgor will not, without the prior written consent of the Pledgee, execute and, until the Termination Date (as hereinafter defined), there will not ever be on file in any public office, any enforceable financing statement or statements covering any or all of the Collateral, except financing statements filed or to be filed in favor of the Pledgee as secured party;

(xii) it shall give the Pledgee prompt notice of any written claim relating to the Collateral and shall deliver to the Pledgee a copy of each other demand, notice or document received by it which may adversely affect the Pledgee's interest in the Collateral promptly upon, but in any event within 10 days after, such Pledgor' s receipt thereof;

(xiii) it shall not withdraw as a partner of any Pledged Partnership or member of any Pledged LLC, or file or pursue or take any action which may, directly or indirectly, cause a dissolution or liquidation of or with respect to any Pledged Partnership or

Pledged LLC or seek a partition of any property of any Pledged Partnership or Pledged LLC, except as permitted by the Credit Agreement;

(xiv) as of the date hereof, all of its Partnership Interests and Membership Interests are uncertificated (other than the Membership Interests of Northern New England Telephone Operations LLC and Fretel Communications, LLC) and each Pledgor covenants and agrees that it will not approve of any action by any Pledged Partnership or Pledged LLC to convert such uncertificated interests into certificated interests;

(xv) it will take no action which would violate or be inconsistent with any of the terms of any Credit Document, or which would have the effect of impairing the position or interests of the Pledgee or any other Secured Creditor under any Credit Document except as permitted by the Credit Agreement; and

(xvi) "control" (as defined in Section 8-106 of the UCC) has been obtained by the Pledgee over all of such Pledgor's Collateral consisting of Securities (including, without limitation, Notes which are Securities) with respect to which such "control" may be obtained pursuant to Section 8-106 of the UCC, except to the extent that the obligation of the applicable Pledgor to provide the Pledgee with "control" of such Collateral has not yet arisen under this Agreement, provided that in the case of the Pledgee obtaining "control" over Collateral consisting of a Security Entitlement, such Pledgor shall have taken all steps in its control so that the Pledgee obtains "control" over such Security Entitlement.

16. PLEDGORS' OBLIGATIONS ABSOLUTE, ETC. The obligations of each Pledgor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation:

(i) any renewal, extension, amendment or modification of, or addition or supplement to or deletion from any of the Credit Documents, or any other instrument or agreement referred to therein, or any assignment or transfer of any thereof,

(ii) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument or this Agreement;

(iii) any furnishing of any additional security to the Pledgee or its assignee or any acceptance thereof or any release of any security by the Pledgee or its assignee; or

(iv) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof.

17. REGISTRATION, ETC. (a) Subject to the terms of the Financing Orders, if an Event of Default shall have occurred and be continuing and any Pledgor shall have received from the Pledgee a written request or requests that such Pledgor cause any registration, qualification or compliance under any Federal or state securities law or laws to be effected with

respect to all or any part of the Pledged Stock, such Pledgor as soon as practicable and at its expense will use its best efforts to cause such registration to be effected (and be kept effective) and will use its best efforts to cause such qualification and compliance to be effected (and be kept effective) as may be so requested and as would permit or facilitate the sale and distribution of such Pledged Stock, including, without limitation, registration under the Securities Act, as then in effect (or any similar statute then in effect), appropriate qualifications under applicable blue sky or other state securities laws and appropriate compliance with any other governmental requirements, provided that the Pledgee shall furnish to such Pledgor such information regarding the Pledgee as such Pledgor may request in writing and as shall be required in connection with any such registration, qualification or compliance. Each Pledgor will cause the Pledgee to be kept reasonably advised in writing as to the progress of each such registration, qualification or compliance and as to the completion thereof, will furnish to the Pledgee such number of prospectuses, offering circulars and other documents incident thereto as the Pledgee from time to time may reasonably request, and will indemnify, to the extent permitted by law, the Pledgee, each other Secured Creditor and all others participating in the distribution of such Pledged Stock against all claims, losses, damages or liabilities caused by any untrue statement (or alleged untrue statement) of a material fact contained therein (or in any related registration statement, notification or the like) or by any omission (or alleged omission) to state therein (or in any related registration statement, notification or the like) a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may have been caused by an untrue statement or omission based upon information furnished in writing to such Pledgor by the Pledgee or such other Secured Creditor expressly for use therein.

(b) If at any time when the Pledgee shall determine to exercise its right to sell all or any part of the Pledged Securities pursuant to Section 7, and such Pledged Securities or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act, as then in effect, the Pledgee may, in its sole and absolute discretion, sell such Pledged Securities or part thereof by private sale in such manner and under such circumstances as the Pledgee may deem necessary or advisable in order that such sale may legally be effected without such registration. Without limiting the generality of the foregoing, in any such event the Pledgee, in its sole and absolute discretion, (i) may proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Securities or part thereof shall have been filed under such Securities Act, (ii) may approach and negotiate with a single possible purchaser to effect such sale and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Pledged Securities or part thereof. In the event of any such sale, the Pledgee shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price which the Pledgee, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might be realized if the sale were deferred until the registration as aforesaid.

18. TERMINATION; RELEASE. After the Termination Date (as defined below), this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 11 hereof shall survive any such termination) and the Pledgee, at the request and expense of the Pledgors, will, if requested by the Grantors, execute and deliver to the Pledgors a proper instrument or instruments acknowledging the satisfaction and termination

of this Agreement as provided above, and will duly assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Pledgee and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by the Pledgee hereunder and, with respect to any Collateral consisting of an Uncertificated Security, a Partnership Interest or a Membership Interest (other than an Uncertificated Security, Partnership Interest or Membership Interest credited on the books of a Clearing Corporation or Securities Intermediary), a termination of the agreement relating thereto executed and delivered by the issuer of such Uncertificated Security pursuant to Section 3.5(a)(ii) or by the respective partnership or limited liability company pursuant to Section 3.5(a)(iv)(2). As used in this Agreement, "Termination Date" shall mean the date upon which the Total Revolving Commitment has been terminated, no Note under the Credit Agreement is outstanding (and all Loans have been paid in full), all Letters of Credit have been cancelled (or have expired, undrawn) or collateralized to the satisfaction of the Administrative Agent and all other Obligations have been paid in full (other than arising from indemnities for which no request has been made).

19. NOTICES, ETC. All notices and other communications hereunder shall be in writing (including telegraphic, telex, telecopier, facsimile or cable communication) and shall be delivered, telegraphed, telexed, telecopied, faxed, cabled, or mailed (by first class mail, postage prepaid):

(i) if to any Pledgor, at its address set forth opposite its signature below;

(ii) if to the Pledgee, at:

Bank of America, N.A.
901 Main Street
Dallas, TX 75202
Attention: Garrett Dolt
Fax: (214) 530-3008

(iii) if to any Secured Creditor (other than the Pledgee), either (x) to the Administrative Agent, at the address of the Administrative Agent specified in the Credit Agreement or (y) at such address as such Secured Creditor shall have specified in the Credit Agreement;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

20. WAIVER; AMENDMENT. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by the Pledgee (with the consent of the Required Lenders or, to the extent required by Section 11.11 of the Credit Agreement, all of the Lenders) and each Pledgor affected thereby, provided that no such change, waiver, modification or variance shall be made to Section 9 hereof of this Section 20 without the consent of each Secured Creditor adversely affected thereby.

21. PLEDGEE NOT BOUND. (a) Nothing herein shall be construed to make the Pledgee or any other Secured Creditor liable as a general partner or limited partner of any Pledged Partnership or a member of any Pledged LLC, and neither the Pledgee nor any Secured Creditor by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a general partner or limited partner of any Pledged Partnership or a member of any Pledged LLC. The parties hereto expressly agree that, unless the Pledgee shall become the absolute owner of a Partnership Interest or a Membership Interest pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture or membership agreement among the Pledgee, any other Secured Creditor and/or a Pledgor.

(b) Except as provided in the last sentence of paragraph (a) of this Section 21, the Pledgee, by accepting this Agreement, does not intend to become a general partner or limited partner of any Pledged Partnership or a member of any Pledged LLC or otherwise be deemed to be a co-venturer with respect to any Pledgor or any Pledged Partnership or a member of any Pledged LLC either before or after an Event of Default shall have occurred. The Pledgee shall have only those powers set forth herein and shall assume none of the duties, obligations or liabilities of a general partner or limited partner of any Pledged Partnership or of a member of any Pledged LLC or of a Pledgor.

(c) The Pledgee shall not be obligated to perform or discharge any obligation of a Pledgor as a result of the collateral assignment hereby effected.

(d) The acceptance by the Pledgee of this Agreement, with all the rights, powers, privileges and authority so created, shall not at any time or in any event obligate the Pledgee to appear in or defend any action or proceeding relating to the Collateral to which it is not a party, or to take any action hereunder or thereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Collateral.

22. MISCELLANEOUS. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect, subject to termination as set forth in Section 18, (ii) be binding upon each Pledgor, its successors and assigns; provided that no Pledgor shall assign any of its rights or obligations hereunder without the prior written consent of the Pledgee (with the prior written consent of the Required Lenders or to the extent required by Section 11.11 of the Credit Agreement, all of the Lenders), and (iii) inure, together with the rights and remedies of the Pledgee hereunder, to the benefit of the Pledgee, the other Secured Creditors and their respective successors, transferees and assigns. The headings of the several sections and subsections in this Agreement are for purposes of reference only and shall not limit or define the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto.

23. GOVERNING LAW, ETC. (a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE SECURED CREDITORS AND OF THE UNDERSIGNED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN

ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. Except for matters within the exclusive jurisdiction of the Bankruptcy Court, any legal action or proceeding with respect to this Agreement or any other Credit Document may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, each NSG Pledgor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each NSG Pledgor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to each NSG Pledgor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of any of the Secured Creditors to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any Pledgor in any other jurisdiction.

(b) Except for matters within the exclusive jurisdiction of the Bankruptcy Court, each NSG Pledgor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Credit Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) EACH PLEDGOR AND THE PLEDGEE HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

24. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with each Pledgor and the Pledgee.

25. CONTRIBUTION. At any time a payment is made by any Pledgor (other than a Borrower) (each, a "Subsidiary Pledgor") in respect of the Obligations from the proceeds of any sale or other disposition of Collateral owned by such Subsidiary Pledgor (each, a "Relevant Payment"), the right of contribution of each Subsidiary Pledgor hereunder against each other such Subsidiary Pledgor shall be determined as provided in the immediately following sentence, with the right of contribution of each Subsidiary Pledgor to be revised and restated as of each date on which a Relevant Payment is made. At any time that a Relevant Payment is made by a Subsidiary Pledgor that results in the aggregate payments made by such Subsidiary Pledgor hereunder in respect of the Obligations to and including the date of the Relevant Payment exceeding such Subsidiary Pledgor's Contribution Percentage (as defined below) of the aggregate payments made by all Subsidiary Pledgors hereunder in respect of the Obligations from the proceeds of any sale or other disposition of Collateral owned by the Subsidiary

Pledgors to and including the date of the Relevant Payment (such excess, the "Aggregate Excess Amount"), each such Subsidiary Pledgor shall have a right of contribution against each other Subsidiary Pledgor who either has not made any payments or has made (or whose Collateral has been used to make) payments hereunder in respect of the Obligations to and including the date of the Relevant Payment in an aggregate amount less than such other Subsidiary Pledgor's Contribution Percentage of the aggregate payments made to and including the date of the Relevant Payment by all Subsidiary Pledgors hereunder in respect of the Obligations from the proceeds of any sale or other disposition of Collateral owned by the Subsidiary Pledgors (the aggregate amount of such deficit, the "Aggregate Deficit Amount") in an amount equal to (x) a fraction the numerator of which is the Aggregate Excess Amount of such Subsidiary Pledgor and the denominator of which is the Aggregate Excess Amount of all Subsidiary Pledgors multiplied by (y) the Aggregate Deficit Amount of such other Subsidiary Pledgor. A Subsidiary Pledgor's right of contribution pursuant to the preceding sentences shall arise at the time of each computation, subject to adjustment to the time of any subsequent computation; provided, that no Subsidiary Pledgor may take any action to enforce such right until the Obligations have been paid in full and the Total Commitment has been terminated, it being expressly recognized and agreed by all parties hereto that any Subsidiary Pledgor's right of contribution arising pursuant to this Agreement against any other Subsidiary Pledgor shall be expressly junior and subordinate to such other Subsidiary Pledgor's obligations and liabilities in respect of the Obligations and any other obligations owing under this Agreement. As used in this Section 25: (i) each Subsidiary Pledgor's "Contribution Percentage" shall mean the percentage obtained by dividing (x) the Adjusted Net Worth (as defined below) of such Subsidiary Pledgor by (y) the aggregate Adjusted Net Worth of all Subsidiary Pledgors; (ii) the "Adjusted Net Worth" of each Subsidiary Pledgor shall mean the greater of (x) the Net Worth (as defined below) of such Subsidiary Pledgor and (y) zero; and (iii) the "Net Worth" of each Subsidiary Pledgor shall mean the amount by which the fair salable value of such Subsidiary Pledgor's assets on the date of any Relevant Payment exceeds its existing debts and other liabilities (including contingent liabilities, but without giving effect to any obligations arising under this Agreement, any Guaranteed Obligations under, and as defined in, the Subsidiary Guaranty) on such date. All parties hereto recognize and agree that, except for any right of contribution arising pursuant to this Section 25, each Subsidiary Pledgor who makes (or whose Collateral has been used to make) any payment in respect of the Obligations shall have no right of contribution or subrogation against any other Subsidiary Pledgor in respect of such payment. Each of the Subsidiary Pledgors recognizes and acknowledges that the rights to contribution arising hereunder shall constitute an asset in favor of the party entitled to such contribution. In this connection, each Subsidiary Pledgor has the right to waive its contribution right against any Subsidiary Pledgor to the extent that after giving effect to such waiver such Subsidiary Pledgor would remain solvent, in the determination of the Required Lenders.

26. LEGAL NAMES; TYPE OF ORGANIZATION (AND WHETHER A REGISTERED ORGANIZATION AND/OR A TRANSMITTING UTILITY); JURISDICTION OF ORGANIZATION; LOCATION; ORGANIZATIONAL IDENTIFICATION NUMBERS; CHANGES THERETO; ETC. No Pledgor shall change its legal name, its type of organization, its status as a Registered Organization (in the case of a Registered Organization), its status as a Transmitting Utility or as a Person which is not a Transmitting Utility, as the case may be, its jurisdiction of organization or its organizational identification number (if any). In addition, to the extent that any Pledgor does not have an organizational identification number on the date

hereof and later obtains one, such Pledgor shall promptly thereafter deliver a notification of the Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the Collateral Agent to the extent necessary to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

27. CHANGE OF CONTROL.The Pledgee acknowledges that (i) certain of the Collateral consists of Securities issued by Persons subject to regulation by the FCC and/or the PUC (the "Regulated Securities Collateral") and (ii) to the extent (and only to the extent) that applicable law requires that Pledgee first obtain the consent of the FCC and/or the PUC prior to foreclosing on and/or transferring any of the Regulated Securities Collateral, the Pledgee agrees that it will obtain such consent prior to effecting such remedies.

28. SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

29. HEADINGS DESCRIPTIVE. The headings of the several Sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

* * * *

[SIGNATURE PAGES OMITTED]

Exhibit 10.9

DEBTOR-IN-POSSESSION SECURITY AGREEMENT

By

FAIRPOINT COMMUNICATIONS, INC.,

and

ITS SUBSIDIARIES PARTY HERETO,
as Grantors,

and

BANK OF AMERICA, INC.,
as Collateral Agent

Dated as of October 30, 2009

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DEBTOR-IN-POSSESSION SECURITY AGREEMENT

This DEBTOR-IN-POSSESSION SECURITY AGREEMENT (as amended, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), dated as of October 30, 2009 among FAIRPOINT COMMUNICATIONS, INC., a Delaware corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code (as defined in the Credit Agreement referred to below) ("FairPoint"), FairPoint Logistics, Inc., a South Dakota corporation and a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code ("FairPoint Logistics"; and together with FairPoint, each a "Borrower" and collectively the "Borrowers"), each Subsidiary of FairPoint listed on the signature pages hereto, each a debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code (together with the Borrowers, the "Grantors") and BANK OF AMERICA, N.A., as Collateral Agent (in such capacity, and together with any successors and assigns in such capacity, the "Collateral Agent") for the benefit of the Secured Creditors (as defined below).

R E C I T A L S

WHEREAS, the Borrowers and each of the other Grantors have filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and have continued in the possession of their assets and in the management of their businesses pursuant to Sections 1107 and 1108 of the Bankruptcy Code, and such reorganization cases are being jointly administered under Case Number 09-16335-brl (the "Cases").

WHEREAS, the Borrowers, the lenders from time to time party thereto (the "Lenders") and Bank of America, N.A., as Administrative Agent, have entered into a Debtor-In-Possession Credit Agreement, dated as of October 27, 2009 (as amended, modified, restated and/or supplemented from time to time, the "Credit Agreement"), providing for the making of Loans to, and the issuance of, and participation in, Letters of Credit for the account of the Borrowers and/or one or more of their Subsidiaries, all as contemplated therein (the Lenders, the Letter of Credit Issuer, the Administrative Agent, the Collateral Agent and the Pledgee referred to in the Pledge Agreement are herein called the "Secured Creditors").

WHEREAS, it is a condition precedent to the making of Loans and the issuance of, and participation in, Letters of Credit under the Credit Agreement that each Grantor shall have executed and delivered to the Collateral Agent this Agreement.

WHEREAS, each Grantor desires to execute this Agreement to satisfy the condition described in the preceding paragraph.

NOW THEREFORE, in consideration of the foregoing and other benefits accruing each Grantor, the receipt and sufficiency of which are hereby acknowledged, each Grantor hereby makes the following representations and warranties to the Collateral Agent for the benefit of the Secured Creditors and hereby covenants and agrees with the Collateral Agent (for the benefit of the Secured Creditors), as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. *Uniform Commercial Code Defined Terms*. Unless otherwise defined herein, terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC, including the following which are capitalized herein:

"Accounts"; "Bank"; "Certificates of Title"; "Chattel Paper"; "Commercial Tort Claim"; "Commodity Account"; "Commodity Contract"; "Commodity Customer"; "Commodity Intermediary"; "Deposit Accounts"; "Documents"; "Electronic Chattel Paper"; "Entitlement Holder"; "Entitlement Order"; "Equipment"; "Financial Asset"; "Fixtures"; "Goods"; "Instruments" (as defined in Article 9 rather than Article 3); "Inventory"; "Investment Property"; "Letter-of-Credit Rights"; "Letters of Credit"; "Securities"; "Securities Account"; "Securities Intermediary"; "Security Entitlement"; "Supporting Obligations"; and "Tangible Chattel Paper".

SECTION 1.02. *Credit Agreement Defined Terms*. Capitalized terms used but not otherwise defined herein that are defined in the Credit Agreement shall have the meanings given to them in the Credit Agreement.

SECTION 1.03. *Definition of Certain Terms Used Herein*. As used herein, the following terms shall have the following meanings:

"Account Debtor" shall mean any Person who is or who may become obligated to any Grantor under, with respect to or on account of an Account.

"Accounts Receivable" shall mean all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

"Bankruptcy Court" shall have the meaning assigned to such term in the Recitals of this Agreement.

"Books and Records" shall mean all instruments, files, records, ledger sheets and documents evidencing, covering or relating to any of the Collateral.

"Borrowers" shall have the meaning assigned to such term in the introductory paragraph of this Agreement.

"Cases" shall have the meaning assigned to such term in the Recitals of this Agreement.

"Charges" shall mean any and all property and other taxes, assessments and special assessments, levies, fees and all governmental charges imposed upon or assessed against, and all claims (including, without limitation, landlords', carriers', mechanics', maritime, workmen's,

repairmen's, laborers', materialmen's, suppliers' and warehousemen's Liens and other claims arising by operation of law) against, all or any portion of the Collateral.

"Collateral Agent" shall have the meaning assigned to such term in the introductory paragraph of this Agreement.

"Collateral Estate" shall have the meaning assigned to such term in Section 2.01(c).

"Commodity Account Control Agreement" shall mean an agreement in form and substance reasonably satisfactory to the Collateral Agent establishing the Collateral Agent's Control with respect to a Commodity Account.

"Control" shall mean (i) in the case of each Deposit Account, "control," as such term is defined in Section 9-104 of the UCC, (ii) in the case of any Security Entitlement, "control," as such term is defined in Section 8-106(d) of the UCC, and (iii) in the case of any Commodity Contract, "control," as such term is defined in Section 9-106(b) of the UCC.

"Control Agreement" shall mean, collectively, the Deposit Account Control Agreements, the Securities Account Control Agreements and the Commodity Account Control Agreements.

"Copyright License" shall mean each agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to license, or granting any right to such Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

"Copyrights" shall mean, collectively, with respect to each Grantor, all copyrights (whether statutory or common law, whether registered or unregistered and whether published or unpublished) and all copyright registrations and applications made by such Grantor in the United States, in each case, whether now owned or hereafter created or acquired by or assigned to such Grantor, including, without limitation, the copyrights, registrations and applications listed in Schedule 1 to this Agreement, together with any and all (i) rights and privileges arising under applicable law with respect to such Grantor's use of such copyrights, (ii) reissues, renewals, continuations and extensions thereof, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof and (iv) rights to sue for past, present or future infringements thereof.

"Credit Agreement" shall have the meaning assigned to such term in the Recitals of this Agreement.

"Deposit Account Control Agreement" shall mean an agreement that is in form and substance reasonably satisfactory to the Collateral Agent establishing the Collateral Agent's Control with respect to any Deposit Account.

"General Intangibles" shall mean, collectively, all "general intangibles," as such term is defined in the UCC, and in any event shall include, without limitation, all choses in action and causes of action and all other intangible personal property of any Grantor of every kind and nature

now owned or hereafter acquired by any Grantor, including all rights and interests in partnerships, limited partnerships, limited liability companies and other unincorporated entities, corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, and other agreements), Intellectual Property, goodwill, registrations, franchises and tax refund claims.

"Intellectual Property" shall mean all intellectual property of every kind and nature now owned in the United States by a Grantor, or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know-how or other confidential or proprietary data or information, software and databases.

"Lenders" shall have the meaning assigned to such term in the Recitals of this Agreement.

"License" shall mean any United States Patent License, Trademark License or Copyright License or other United States license or sublicense in respect of Intellectual Property to which any Grantor is a party including, without limitation, those listed on Schedule 2 to this Agreement.

"Patent License" shall mean any agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention covered by a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to make, use or sell any invention a Patent, now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Patents" shall mean all of the following now owned or hereafter acquired in the United States by a Grantor: (a) all letters patent and all applications for letters patent, including registrations, recordations and pending applications in the United States Patent and Trademark Office, including those listed on Schedule 3 to this Agreement, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

"Permit" shall mean any permit, approval, authorization, license, variance or permission required from a governmental authority under an applicable law.

"Pledge Agreement" means the Debtor-In-Possession Pledge Agreement, dated as of the date hereof, made by FairPoint and certain of its Subsidiaries party thereto in favor of the Collateral Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Pledge Agreement Collateral" shall "Collateral" under and as defined in the Pledge Agreement.

"Proceeds" shall mean, collectively, all "proceeds," as such term is defined in the UCC, and in any event shall include, without limitation, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any

value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, and shall include (a) all cash and negotiable instruments received by or held on behalf of the Collateral Agent, (b) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by any Grantor, or licensed under a Patent License, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by any Grantor or licensed under a Trademark License or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by any Grantor, (iii) past, present or future breach of any License and (iv) past, present or future infringement of any Copyright now or hereafter owned by any Grantor or licensed under a Copyright License and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Real Estate Interests" means, with respect to a Grantor, all Real Property Owned and all Real Property Leaseholds, whether now owned or held, or hereafter acquired.

"Real Property Leaseholds" means all leases now or hereafter owned or held by a Grantor, of real property whether improved or unimproved and all rights, interests and estates, real and personal, arising under or in connection with such leases and such real property, including without limitation all buildings and all personal property and fixtures included under such leases.

"Real Property Owned" means all parcels of land now or hereafter owned by a Grantor, together with the right, title and interest of such Grantor in and to adjacent streets, the air space and development rights, all rights of way, privileges, tenements, hereditaments and appurtenances thereto, and fixtures, easements, all royalties and rights pertaining to the use of the real property, including, without limitation, all alleys, vaults and drainage together with all buildings and other improvements now or hereafter erected thereon and all fixtures and personal property appertaining thereto and all additions thereto and all substitutions and replacements thereof.

"Secured Creditors" shall have the meaning assigned to such term in the Recitals of this Agreement.

"Securities Account Control Agreement" shall mean an agreement in form and substance reasonably satisfactory to the Collateral Agent establishing the Collateral Agent's Control with respect to any Securities Account.

"Security Interests" shall mean the Liens and security interests granted in Section 3.01 of this Agreement to secure the Obligations.

"Trademark License" shall mean any agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or that any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trademarks" shall mean all of the following now owned or hereafter acquired in the United States by a Grantor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordations thereof, and all applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any State of the United States, and all extensions or renewals thereof, including those listed on Schedule 4 to this Agreement and, (b) all goodwill associated therewith or symbolized thereby.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that if by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Collateral Agent's and the Secured Creditors' security interest in any item or portion of the Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect on the date hereof in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions relating to such provisions.

SECTION 1.04. *Rules of Construction*. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) where the context requires, provisions relating to any Collateral, when used in relation to a Grantor, shall refer to such Grantor's Collateral or any relevant part thereof.

ARTICLE II

AUTHORITY OF COLLATERAL AGENT

SECTION 2.01. *General Authority of the Collateral Agent over the Collateral*. The Collateral Agent hereby agrees that it holds and will hold all of its right, title and interest in, to and under this Agreement and the Collateral granted to the Collateral Agent hereunder whether now existing or hereafter arising (all such right, title and interest being hereinafter referred to as the "Collateral Estate") under and subject to the conditions set forth in this Agreement; and the Collateral Agent further agrees that it will hold such Collateral Estate for the benefit of the Secured Creditors, for the enforcement of the payment of all Obligations (subject to the limitations and priorities set forth herein and in the Financing Orders) and as security for the performance of

and compliance with the covenants and conditions of this Agreement and each of the Credit Documents.

SECTION 2.02. *Remedies Not Exclusive* No remedy conferred upon or reserved to the Collateral Agent herein or in the other Credit Documents is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or in any other Credit Document or now or hereafter existing at law or in equity or by statute.

No delay or omission by the Collateral Agent to exercise any right, remedy or power hereunder or under any other Credit Document shall impair any such right, remedy or power or shall be construed to be a waiver thereof, and every right, power and remedy given by this Agreement or any Credit Document to the Collateral Agent may be exercised from time to time and as often as may be deemed expedient by the Collateral Agent.

If the Collateral Agent shall have proceeded to enforce any right, remedy or power under this Agreement or under any other Credit Document and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then the Grantors, the Collateral Agent and the other Secured Creditors shall, subject to any determination in such proceeding, severally and respectively be restored to their former positions and rights hereunder or thereunder with respect to the Collateral Estate and in all other respects, and thereafter all rights, remedies and powers of the Collateral Agent shall continue as though no such proceeding had been taken.

SECTION 2.03. *Waiver and Estoppel*. Subject to the terms of the Credit Documents, each Grantor agrees, to the extent it may lawfully do so, that it will not at any time in any manner whatsoever claim, or take the benefit or advantage of, any appraisement, valuation, stay, extension, moratorium, turnover or redemption law, or any law permitting it to direct the order in which the Collateral shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of this Agreement or any Credit Document and hereby waives all benefit or advantage of all such laws and covenants that it will not hinder, delay or impede the execution of any power granted to the Collateral Agent in this Agreement or any Credit Document but will suffer and permit the execution of every such power as though no such law were in force.

Each Grantor, to the extent it may lawfully do so, on behalf of itself and all who may claim through or under it, including without limitation any and all subsequent creditors, vendees, assignees and licensors, waives and releases all rights to demand or to have any marshaling of the Collateral upon any sale, whether made under any power of sale granted herein or in any other Credit Document or pursuant to judicial proceedings or upon any foreclosure or any enforcement of this Agreement or any Credit Document and consents and agrees that all the Collateral may at any such sale be offered and sold as an entirety.

Each Grantor waives, to the extent permitted by applicable law, presentment, demand, protest and any notice of any kind (except notices explicitly required hereunder or under any Credit Document or the Financing Orders) in connection with this Agreement and the other Credit Documents and any action taken by the Collateral Agent with respect to the Collateral.

SECTION 2.04. *Limitation on Collateral Agents' Duty in Respect of Collateral*. Beyond its duties as to the custody thereof expressly provided herein or in any other Credit Document and to account to the Secured Creditors and the Grantors for moneys and other property received by it hereunder or under any Credit Document and any other express duties specified in the Credit Documents, the Collateral Agent shall have no duty to the Grantors or to the Secured Creditors as to any Collateral in its possession or control or in the possession or control of any of its agents or nominees, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. In addition, the Collateral Agent shall in no way be responsible for the payment of any costs incurred in connection with preserving or disposing of Collateral pursuant to Section 506(c) of the Bankruptcy Code and the Collateral may not be charged for the incurrence of any such cost.

ARTICLE III

SECURITY INTERESTS

SECTION 3.01. *Security Interests*As security for the payment and performance, as the case may be, in full of the Obligations, each Grantor hereby sells, conveys, assigns, sets over, mortgages, pledges, hypothecates and transfers to the Collateral Agent, for the ratable benefit of the Secured Creditors, and hereby grants to the Collateral Agent, for the ratable benefit of the Secured Creditors, a security interest in, all of such Grantor's right, title and interest in, to and under the following property, together with the Real Estate Interests and all other property or interests therein covered by any of the Financing Orders, wherever located, and whether now existing or hereafter arising or acquired from time to time (the "Collateral"):(a) Accounts Receivable;

(b) Books and Records;

(c) cash and Deposit Accounts;

(d) Chattel Paper;

(e) Commercial Tort Claims described on Schedule 5 to this Agreement;

(f) Documents;

(g) Equipment;

(h) Fixtures;

(i) General Intangibles;

(j) Goods;

(k) Instruments;

(l) Inventory;

(m) Investment Property;

(n) Letter-of-Credit Rights;

(o) Letters of Credit;

(p) Supporting Obligations;

(q) Intellectual Property;

(r) to the extent not covered by clauses (a) through (r) of this definition, all other personal property, whether tangible or intangible; and

(s) all Proceeds and products of any and all of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to any of the foregoing;

provided that, notwithstanding the foregoing, "Collateral" shall not include (i) Pledge Agreement Collateral or any equity interests in an Excluded Entity (as defined in the Pledge Agreement), (ii) any Causes of Action (as defined in the Financing Orders) but, subject to the entry of the Final Order, the Collateral shall include any Proceeds or property recovered in respect of any Causes of Action and (iii) FCC licenses and PUC authorizations to the extent (and only to the extent) that any Grantor is prohibited from granting a lien and security interest therein pursuant to applicable law, but the Collateral shall include, to the maximum extent permitted by law, all rights incident or appurtenant to all FCC licenses and PUC authorizations and the right to receive all proceeds derived from or in connection with the sale, assignment or transfer of such FCC licenses and PUC authorizations.

SECTION 3.02. *Perfection and Priority*. Upon the entry of the Interim Order and the Final Order, as applicable, all Liens and security interests granted to the Collateral Agent hereunder shall constitute valid and perfected Liens on all of the Collateral having the priority specified therein and shall automatically, and without further action by any Person, perfect such Liens and security interests against the Collateral; provided, however, nothing herein shall prevent the Collateral Agent, from otherwise perfecting, maintaining, protecting or enforcing the Liens and security interests in the Collateral granted hereunder. Notwithstanding any failure on the part of any Grantor to take any action required by this Agreement, or perform or fulfill any of the obligations of such Grantor under or pursuant to this Agreement, the Liens and security interests granted herein shall be deemed valid, enforceable and perfected by entry of each Financing Order. No financing statement, notice of lien, mortgage, deed of trust or similar instrument in any jurisdiction or filing office need be filed or any other action taken in order to validate and perfect the Liens and security interest granted by or pursuant to this Agreement or the Financing Orders.

SECTION 3.03. *Claim Priorities*. All Obligations shall constitute, in accordance with Section 364(c)(1) of the Bankruptcy Code, claims against each Grantor in its Case that are administrative expense claims having priority over any and all administrative expenses of the kind specified in Sections 503(b) or 507(b) of the Bankruptcy Code, subject only to the Carve-Out.

SECTION 3.04. *Modifications*.

(a) The Liens, lien priority, administrative priorities and other rights and remedies granted to the Collateral Agent pursuant to this Agreement and the Financing Orders (including the existence, perfection and priority of the Liens provided herein and therein and the administrative priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of any Indebtedness by any of the Grantors (pursuant to Section 364 of the Bankruptcy Code or otherwise), or by any dismissal or conversion of any Case, or by any other act or omission whatsoever. Without limitation, notwithstanding any such order, financing, extension, incurrence, dismissal, conversion, act or omission:

(1) except for the Carve-Out having priority over the Obligations, no costs or expenses of administration that have been or may be incurred in any of the Cases or any conversion of the same or in any other proceedings related thereto, and no priority claims, are or shall be prior to or on a parity with any claim of the Secured Creditors against the Grantors in respect of any Obligation;

(2) the Liens granted herein and in the Orders shall constitute valid and perfected first priority Liens and security interests and shall be prior to all other Liens, now existing or hereafter arising, in favor of any other creditor or any other Person whatsoever (subject only to (A) valid, perfected, nonavoidable and enforceable Liens existing as of the Petition Date, (B) the extent such postpetition perfection is expressly permitted by the Bankruptcy Code, valid, nonavoidable and enforceable Liens existing as of the Petition Date, but perfected after the Petition Date, and (C) the Carve-Out);

(3) the Liens granted hereunder shall constitute valid and perfected without the necessity that financing statements be filed or that any other action be taken under applicable nonbankruptcy law; and

(4) notwithstanding any failure on the part of any Credit Party or the Secured Creditors to perfect, maintain, protect or enforce the Liens in the Collateral granted hereunder, the Financing Orders shall, automatically and without further action by any Person, perfect such Liens against the Collateral.

SECTION 3.05. Without limiting the foregoing, the Collateral Agent is hereby authorized to file one or more financing statements (including fixture filings), continuation statements, filings with the United States Patent and Trademark Office, United States Copyright Office or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interests granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party.

SECTION 3.06. *No Assumption of Liability*. The Security Interests are granted as security only and shall not subject the Collateral Agent or any other Secured Creditor to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Grantors jointly and severally represent and warrant to the Collateral Agent and other the Secured Creditors that:

SECTION 4.01. *Title and Authority*. Each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant the Security Interests hereunder and, subject to the entry of the Financing Orders by the Bankruptcy Court, has full power and authority to grant to the Collateral Agent, for the benefit of the Secured Creditors, the Security Interests in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval which has been obtained.

SECTION 4.02. *Validity of Security Interest*. The Security Interests constitute legal and valid security interests in all the Collateral securing the payment and performance of the Obligations. As of the date hereof, all information set forth herein, including the Schedules annexed hereto is correct and complete. As of the date hereof, the Collateral described on the Schedules annexed hereto constitutes all of the property of such type of Collateral owned or held by the Grantors.

SECTION 4.03. *Limitations on and Absence of Other Liens*. The Collateral is owned by the Grantors free and clear of any Lien, except for Permitted Liens and subject to the Carve-Out. The Grantors have not filed or consented to the filing of (a) any financing statement or analogous document under the UCC or any other applicable laws covering any Collateral, (b) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with the United States Patent and Trademark Office and the United States Copyright Office or (c) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect,

except, in each case, for Permitted Liens.

SECTION 4.04. *Jurisdiction of Organization*. As of the Closing Date, Schedule 6 hereto identifies each Grantor's corporate (or, if not a corporation, legal) name, its jurisdiction of incorporation or organization, the type of entity it was organized as and the state organization identification number of such Grantor (if the state of its incorporation or organization provides such organization number). No Grantor will change its name, the state in which it is organized or its type of organization.

SECTION 4.05. *Instruments and Tangible Chattel Paper.* As of the date hereof, each Instrument and each item of Tangible Chattel Paper has been properly endorsed, assigned and delivered to the Collateral Agent, and, if necessary, accompanied by instruments of transfer or assignment duly executed in blank. If any amount individually in excess of $250,000 or in the aggregate in excess of $1,000,000 payable under or in connection with any of the Collateral shall be evidenced by any Instrument or Tangible Chattel Paper, the Grantor acquiring such Instrument or Tangible Chattel Paper shall forthwith endorse, assign and deliver the same to the Collateral Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Collateral Agent may from time to time specify.

SECTION 4.06. *Deposit Accounts and Investment Property*. (i) Each Grantor hereby represents and warrants that as of the date hereof (1) it has neither opened nor maintains any Deposit Accounts other than the accounts listed in Schedule 7 to this Agreement, (2) it has neither opened nor maintains any Securities Accounts or Commodity Accounts other than those listed in Schedule 8 to this Agreement and (3) it does not hold, own or have any interest in any certificated securities or uncertificated securities other than those constituting Pledge Agreement Collateral or those maintained in Securities Accounts or Commodity Accounts listed in Schedule 8 to this Agreement.

SECTION 4.07. *Real Estate Interests*. Each Grantor has good and marketable title to, or valid leasehold interests in, all Real Estate Interests owned or leased by it, including, without limitation, the Real Estate Interests listed on Schedule 9 to this Agreement, and none of such properties and assets is subject to any Lien, except Permitted Liens.

(a) Set forth on Schedule 9 is a complete and accurate list of (i) all Real Property Owned, (ii) the chief executive office and principal place of business of each Grantor and any other location in which any Grantor's Books and Records are located and (iii) all other Real Property Leaseholds in which the aggregate fair market value of Collateral located at each such Real Property Leasehold exceeds $1,000,000, in each case showing as of the Closing Date the current street address (including, where applicable, county, state and other relevant jurisdictions) and record owner.

(b) All Permits required to have been issued or appropriate to enable all Real Estate Interests of the Grantors to be lawfully occupied and used for all of the purposes for which they are currently occupied and used have been lawfully issued and are in full force and effect, other than those that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(c) No Real Estate Interest currently, or to the knowledge of the Grantors, previously owned, operated, leased by or for the Grantors, is subject to any pending or, to the knowledge of such Grantor, threatened, claim order, agreement, notice of violation, notice of potential liability or pursuant to Environmental Laws other than those that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(d) No Grantor has received any notice, or has any knowledge, of any pending, threatened or contemplated condemnation proceeding affecting any Real Estate Interests of such Grantor or any part thereof, except those which, in the aggregate, would not have a Material Adverse Effect.

(e) There are no material facts, circumstances or conditions arising out of or relating to the operations or ownership of Real Estate Interests owned, operated or leased by the Grantors that are not specifically included in the information furnished to the Collateral Agent.

SECTION 4.08. *Intellectual Property*.

(a) Schedule 1 attached hereto contains a complete and accurate list, as of the date hereof, of all Copyrights owned by each Grantor.

(b) Schedule 2 attached hereto contains a complete and accurate list, as of the date hereof, of (i) all Licenses under which any Grantor has licensed to a third party any of its rights or interests in any Intellectual Property and (ii) all material Licenses under which any Grantor is the licensee or sublicensee (other than Licenses in respect of general software or telephone switch software, which Licenses are not, to the Grantors' knowledge, assignable by such Grantor).

(c) Schedule 3 attached hereto contains a complete and accurate list, as of the date hereof, of all Patents owned by each Grantor.

(d) Schedule 4 attached hereto contains a complete and accurate list, as of the date hereof, of all Trademarks owned by each Grantor.

ARTICLE V

COVENANTS

SECTION 5.01. *Protection of Security*. Each Grantor shall, at its own cost and expense, take any and all actions reasonably necessary to defend the Security Interests of the Collateral Agent in the Collateral and the priority thereof against any Lien other than Permitted Liens.

SECTION 5.02. *Further Assurances.* Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Collateral Agents may from time to time reasonably request to better assure, preserve, protect and perfect the Security Interests and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interests and the filing of any financing statements or other documents in connection herewith or therewith.

SECTION 5.03. *Taxes; Encumbrances*. At its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral except to the extent the same constitute Permitted Liens, and may pay for the maintenance and preservation of the Collateral to the extent any Grantor fails to do so as required by this Agreement and each Grantor jointly and severally agrees to reimburse the Collateral Agent on demand for any payment made or any expense incurred by the Collateral Agent pursuant to the foregoing authorization, together with interest thereon at the rate then in effect in respect of the Loans, and such amounts shall constitute Obligations secured by the Collateral; provided, however, that nothing in this Section 5.03 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Creditor to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, liens, security interests or other encumbrances and maintenance as set forth herein or in the other Credit Documents. Performance of such Grantor's obligations as permitted under this Section 5.03 shall in no way constitute for the purpose of the Cases a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Grantor hereby waives applicability thereof.

SECTION 5.04. *Assignment of Security Interest*. If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other Person to secure payment and performance of an Account in an amount in excess of $250,000, such Grantor shall promptly assign such security interest to the Collateral Agent. Such assignment need not be filed of public record unless necessary to continue the perfected status of the security interest against creditors of and transferees from the Account Debtor or other Person granting the security interest.

SECTION 5.05. *Continuing Obligations of the Grantors*. Each Grantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the Secured Creditors from and against any and all liability for such performance except to the other extent resulting from the gross negligence or willful misconduct of the Collateral Agent or the other Secured Creditors, as applicable.

SECTION 5.06. *Use and Disposition of Collateral*. None of the Grantors shall grant any Lien in respect of the Collateral other than Liens securing the Obligations and Permitted Liens.

SECTION 5.07. *Limitation on Modification of Accounts*. None of the Grantors will, without the Collateral Agent's prior written consent, grant any extension of the time of payment of any of the Accounts Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its past practices and in accordance with such prudent and standard practices used in industries in which such Grantor is engaged.

SECTION 5.08. *Insurance*. The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Collateral in accordance with Section 6.03 of the Credit Agreement. Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto.

SECTION 5.09. *Certain Covenants and Provisions Regarding Patent, Trademark and Copyright Collateral.* Each Grantor agrees that it will not, nor will it permit any of its licensees to, do any act, or knowingly omit to do any act, whereby any Patent which is material to the conduct of such Grantor's business may become invalidated or dedicated to the public.

(b) Each Grantor (either itself or through its licensees or its sublicenses) will, for each Trademark material to the conduct of such Grantor's business, (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for nonuse, (ii) maintain the quality of products and services offered under such Trademark, (iii) not knowingly use or knowingly

permit the use of such Trademark in violation of any third party rights in a manner that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(c) Each Grantor shall notify the Collateral Agents as soon as practicable if it knows or has reason to know that any Patent, Trademark or Copyright material to the conduct of its business becomes or is reasonably likely to become abandoned, forfeited or dedicated to the public, or of any adverse determination or development including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or United States Copyright Office regarding such Grantor's ownership of any Patent, Trademark or Copyright material to the conduct of its business, or its right to register the same, or to keep and maintain the same.

(d) Each Grantor hereby agrees that with respect to all Intellectual Property owned by such Grantor on the date hereof, it will, if requested by the Collateral Agent, execute and deliver any and all agreements, instruments or documents as the Collateral Agent may reasonably request to evidence the Collateral Agent's security interest in such Intellectual Property, which agreements, instruments or documents may be filed with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States.

(e) In the event that any Grantor, either itself or through any agent, employee, licensee or designee, files an application for or, following the Closing Date, becomes the registered owner of, any Patent, Trademark or Copyright (or for the registration of any Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States, such Grantor shall promptly (and in any event within thirty (30) days) notify the Collateral Agent of such occurrence, and shall execute and deliver any and all agreements, instruments, documents and papers as the Collateral Agent may reasonably request to evidence the Collateral Agent's security interest in such Patent, Trademark or Copyright or application therefor, and each Grantor hereby appoints the Collateral Agent as its attorney-in-fact to execute and file such writings solely for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable until this Agreement is terminated.

(f) Each Grantor will take all necessary steps that are consistent with its reasonable business judgment in any proceeding before the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States to maintain and pursue each material application relating to the Patents, Trademarks and/or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks or Copyrights that is material to the conduct of any Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with its reasonable business judgment, to initiate opposition, interference and cancellation proceedings against third parties.

(g) In the event that any Grantor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright which is material to its business has been or is about to be infringed, misappropriated or diluted by a third party, such Grantor promptly shall notify the

Collateral Agent and shall, if consistent with its reasonable business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral.

(h) To each Grantor's knowledge, on and as of the date hereof, such Grantor is not infringing upon any Patent, Trademark or Copyright of any other Person other than such infringement that, individually or in the aggregate, would not (or would not reasonably be expected to) result in a Material Adverse Effect and no proceedings have been instituted or are pending against such Grantor or, to such Grantor's knowledge, threatened, and no claim against such Grantor has been received by such Grantor, alleging any such violation.

(i) Upon the occurrence and during the continuance of an Event of Default (but subject to the Financing Orders), each Grantor shall upon the written request of the Collateral Agent use its commercially reasonable efforts to obtain all requisite consents or approvals by the licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Collateral Agent or its designee.

(j) Upon the occurrence and during the continuance of a Default or Event of Default, each Grantor shall, upon the written request of the Collateral Agent, provide a list to the Collateral Agent of all material Licenses to which each Grantor is a party.

SECTION 5.10. *Other Actions*. In order to further ensure the attachment, perfection and priority of, and the ability of the Collateral Agent to enforce, the Collateral Agent's security interests in the Collateral, each Grantor agrees, in each case at such Grantor's own expense, to take the following actions with respect to the following Collateral:

(a) In the event the Grantors have cash, Investment Property or other funds maintained in any Deposit Accounts (other than (i) a Deposit Account exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of a Grantor's salaried employees and (ii) the FairPoint Logistics, Inc. Dual Pole Fund Deposit Account ending with the last four digits 2606, maintained by FairPoint Logistics at Fidelity Investments, so long as the amount of cash contained therein does not at any time exceed the lesser of (A) the amount required to comply with the PUC order issued prior to the date hereof in which the cash contained therein relates and (B) $2,100,000) and/or Security Accounts, Borrower shall promptly notify the Collateral Agent and, if requested by the Collateral Agent, the Grantors shall promptly enter into Control Agreements in favor of the Collateral Agent with the banks, Securities Intermediaries or Commodity Intermediaries with which such Deposit Accounts and Security Accounts are maintained granting to the Collateral Agents Control over such accounts. Each Collateral Agent agrees with each Grantor that, in the case of a Deposit Account subject to the Collateral Agent's Control, the Collateral Agent shall not give any instructions directing the disposition of funds from time to time credited to any Deposit Account or withhold any withdrawal rights from such Grantor with respect to funds from time to time credited to any Deposit Account or, in the case of a Securities Account or Commodity Account subject to each Collateral Agent's Control, the Collateral Agent shall not give any Entitlement Orders or instructions or directions to any Securities Intermediary or Commodity Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by such Grantor, unless, in each case and subject

to the Financing Orders, an Event of Default has occurred and is continuing or, after giving effect to any withdrawal, would occur.

(b) If any Grantor shall at any time hold or acquire any certificated securities constituting Investment Property that are not Pledge Agreement Collateral, such Grantor shall promptly (and in any event with fifteen (15) Business Days) endorse, assign and deliver the same to the Collateral Agent, accompanied by such instruments of transfer or assignment duly executed in blank, all in form and substance reasonably satisfactory to the Collateral Agent. If any securities now or hereafter acquired by any Grantor constituting Investment Property that are not Pledged Agreement Collateral are uncertificated and are not held in accounts required to be subject to a Control Agreement, such Grantor shall promptly (and in any event within fifteen (15) Business Days) notify the Collateral Agent thereof and, if requested by the Collateral Agent, shall use commercially reasonable efforts to cause the issuer to agree to comply with instructions from the Collateral Agent as to such securities, without further consent of any Grantor pursuant to an issuer's acknowledgement in the form attached hereto as Annex I.

(c) As between the Collateral Agent and the Grantors, the Grantors shall bear the investment risk with respect to the Investment Property, and the risk of loss of, damage to or the destruction of the Investment Property, whether in the possession of, or maintained as a security entitlement or deposit by, or subject to the control of, the Collateral Agent, a Securities Intermediary, a Commodity Intermediary, any Grantor or any other Person; provided, however, that nothing contained in this Section 5.10(c) shall release or relieve any Securities Intermediary or Commodity Intermediary of its duties and obligations to the Grantors or any other Person under any Control Agreement or under applicable law.

(d) Each Grantor shall promptly pay all Charges and fees arising on or after the date hereof with respect to the Investment Property pledged by it under this Agreement, except that no such Charge or fee need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein. In the event any Grantor shall fail to make such payment contemplated in the immediately preceding sentence, the Collateral Agent may do so for the account of such Grantor and the Grantors shall promptly reimburse and indemnify the Collateral Agent from all costs and expenses incurred by the Collateral Agent under this Section 5.10(d), together with interest thereon at the rate then in effect in respect of the Loans, and such amounts shall constitute Obligations secured by the Collateral. Performance of such Grantor's obligations as permitted under this Section 5.10(d) shall in no way constitute for the purpose of the Cases a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Grantor hereby waives applicability thereof.

(e) *Electronic Chattel Paper and Transferable Records*. If any amount individually in excess of $250,000 or in the aggregate in excess of $1,000,000 payable under or in connection with any of the Collateral shall be evidenced by any Electronic Chattel Paper or any "transferable record," as that term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, the Grantor acquiring such Electronic Chattel Paper or transferable

record shall promptly notify the Collateral Agent thereof and shall take such action as the Collateral Agent may reasonably request to vest in the Collateral Agent control under UCC Section 9-105 of such Electronic Chattel Paper or control under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Collateral Agent agrees with such Grantor that the Collateral Agent will arrange, pursuant to procedures reasonably satisfactory to the Collateral Agent and so long as such procedures will not result in the Collateral Agent's loss of control, for the Grantor to make alterations to the Electronic Chattel Paper or transferable record permitted under UCC Section 9-105 or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act of Section 16 of the Uniform Electronic Transactions Act for a party in control to allow without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Grantor with respect to such Electronic Chattel Paper or transferable record.

(f) *Letter-of-Credit Rights.* If any Grantor is at any time a beneficiary under a Letter of Credit now or hereafter issued in favor of such Grantor in an amount individually in excess of $250,000 or in the aggregate in excess of $1,000,000, such Grantor shall promptly notify the Collateral Agent and, if requested by the Collateral Agent, such Grantor shall use commercially reasonable efforts to pursuant to an agreement in form and substance satisfactory to the Collateral Agent, either (i) arrange for the issuer and any confirmer of such Letter of Credit to consent to an assignment to the Collateral Agent of the proceeds of any drawing under the Letter of Credit or (ii) arrange for the Collateral Agent to become the transferee beneficiary of such Letter of Credit.

(g) *Commercial Tort Claims.* As of the date hereof each Grantor hereby represents and warrants that it holds no Commercial Tort Claims other than those listed on Schedule 5 to this Agreement. If any Grantor shall at any time hold or acquire a Commercial Tort Claim having a value individually in excess of $250,000 or in the aggregate in excess of $1,000,000 such Grantor shall promptly notify the Collateral Agent thereof and, if requested by the Collateral Agent, grant to the Collateral Agent in writing signed by such Grantor a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Collateral Agent.

(h) *Motor Vehicles*. Upon the request of the Collateral Agent, each Grantor shall deliver to the Collateral Agent originals of the certificates of title or ownership for the motor vehicles (and any other Equipment covered by Certificates of Title or ownership) owned by it with each Collateral Agent listed as a lienholder therein. Such requirement shall apply to the Grantors if any such motor vehicle (or any such other Equipment) is valued over $250,000, provided that the value of all such motor vehicles (and such Equipment) as to which any Grantor has not delivered a Certificate of Title or ownership is over $250,000.

(i) *Landlord's Access Agreements/Bailee Letters*. With respect to each Real Property Leasehold and each warehouse or other storage facility located in the United States of America owned by any Person other than a Grantor, if Inventory, Equipment or other personal property of any Grantor with a fair market value in excess of $500,000 is regularly maintained at such location, Borrowers shall notify the Collateral Agents thereof and, if requested by the Collateral

Agent, will use its commercially reasonable efforts to deliver a landlord waiver and access agreement or bailee letter, as applicable, in form and substance reasonably satisfactory to the Collateral Agent.

ARTICLE VI

REMEDIES

SECTION 6.01. *Remedies upon Default*. After the occurrence and during the continuance of an Event of Default, upon five (5) days' notice to the Grantors (with a copy to counsel for the Committee and to the United States Trustee for the Southern District of New York), the Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Collateral Agent, or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or nonexclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine (other than in violation of applicable law or any then existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral and, generally, to exercise any and all rights afforded to a secured creditor under the UCC or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Collateral Agent shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give a Grantor ten (10) Business Days' prior written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-611 of the UCC) of the Collateral Agent's intention to make any sale or other disposition of such Grantor's Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice of such sale. At any such sale, the Collateral, or portion

thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. Neither Collateral Agent shall be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Section, any Secured Creditor may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any Obligation then due and payable to such Secured Creditor from any Grantor as a credit against the purchase price, and such Secured Creditor may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section shall be deemed to conform to the commercially reasonable standards as provided in Section 9-611 of the UCC.

The Secured Creditors agree that this Agreement may be enforced only by the action of the Collateral Agent, and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Collateral Agent for the benefit of the Secured Creditors upon the terms of this Agreement. Exercise by the Collateral Agent of the powers granted under this Agreement is not a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Grantor waives the applicability thereof. The Secured Creditors shall be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the "equities of the case" exception under section 552(b) of the Bankruptcy Code shall not apply to the Secured Creditors with respect to proceeds, product, offspring or profits of any of the Collateral.

SECTION 6.02. *Application of Proceeds*.

(a) All moneys collected by the Collateral Agent upon any sale or other disposition of the Collateral, together with all other moneys received by the Collateral Agent or the Collateral Agent hereunder, shall be applied as follows:

(1) first, to any fees, indemnities or expense reimbursements then due and owing to the Administrative Agent, the Collateral Agent or the Pledgee under the Pledge Agreement;

(2) second, to the extent proceeds remain after the application pursuant to preceding clause (i), an amount equal to the outstanding Obligations to the Secured Creditors shall be paid to the Secured Creditors, with each Secured Creditor receiving an amount equal to its outstanding Obligations or, if the proceeds are insufficient to pay in full all such Obligations, its Pro Rata Share of the amount remaining to be distributed to be applied, with respect to the Obligations, firstly, to the payment of interest in respect of the unpaid principal amount of Loans outstanding, secondly, to the payment of principal of Loans outstanding, then to the other Obligations; and

(3) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii) and following the termination of this Agreement pursuant to Section 7.10 hereof, to the relevant Grantor or, to the extent directed by such Grantor or a court of competent jurisdiction, to whomever may be lawfully entitled to receive such surplus.

(b) For purposes of this Agreement, "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, the amount (expressed as a percentage) equal to a fraction the numerator of which is the then outstanding amount of the relevant Obligations owed such Secured Creditor and the denominator of which is the then outstanding amount of all Obligations.

(c) All payments required to be made to the Secured Creditors hereunder shall be made to the Administrative Agent for the account of the respective Secured Creditors.

(d) It is understood that each Grantor shall remain jointly and severally liable to the extent of any deficiency between (x) the amount of the Obligations for which it is liable directly or as a Guarantor that are satisfied with proceeds of the Collateral and (y) the aggregate outstanding amount of the Obligations.

SECTION 6.03. *Grant of License to Use Intellectual Property*. For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Article at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral Agent a nonexclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sublicense any of the Collateral, except to the extent that such license may not be granted as a result of a pre-existing exclusive license arrangement, consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer

software and programs used for the compilation or printout thereof. The use of such license by the Collateral Agent shall be exercised, at the option of the Collateral Agent, after the occurrence and during the continuation of an Event of Default; provided that any license, sublicense or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default. Such license shall be irrevocable until this Agreement is terminated.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. *Notices*. All notices and other communications hereunder shall be in writing (including telegraphic, telex, telecopier, facsimile or cable communication) and shall be delivered, telegraphed, telexed, telecopied, faxed, cabled, or mailed (by first class mail, postage prepaid):

(1) if to any Grantor, at its address set forth opposite its signature below;

(2) if to the Collateral Agent, at:

Bank of America, N.A.
901 Main Street
Dallas, TX 75202
Attention: Garrett Dolt
Fax: (214) 530-3008

(3) if to any Secured Creditor (other than the Collateral Agent), either (x) to the Administrative Agent, at the address of the Administrative Agent specified in the Credit Agreement or (y) at such address as such Secured Creditor shall have specified in the Credit Agreement;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

SECTION 7.02. *Survival of Agreement*. All covenants, agreements, representations and warranties made by any Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Credit Document shall be considered to have been relied upon by the Collateral Agents and the other Secured Creditors and shall survive the making by the Lenders of the Loans and the Lenders' issuance of and participations in Letters of Credit, regardless of any investigation made by the Secured Creditors or on their behalf, and shall continue in full force and effect until this Agreement shall terminate.

SECTION 7.03. *Binding Effect*. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agents and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Collateral

Agent and the other Secured Creditors and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly permitted by each of the other Credit Documents.

SECTION 7.04. *Successors and Assigns*. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 7.05. **GOVERNING LAW**.

(a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE SECURED CREDITORS AND OF THE UNDERSIGNED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. Except for matters within the exclusive jurisdiction of the Bankruptcy Court, any legal action or proceeding with respect to this Agreement or any other Credit Document may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, each Grantor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each Grantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to each Grantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of any of the Secured Creditors to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any Grantor in any other jurisdiction.

(b) Except for matters within the exclusive jurisdiction of the Bankruptcy Court, each Grantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Credit Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) EACH GRANTOR AND THE COLLATERAL AGENT HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 7.06. *Waivers; Amendment; Several Agreement.* None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by the Collateral Agent (with the consent of the Required

Lenders or, to the extent required by Section 11.11 of the Credit Agreement, all of the Lenders) and each Grantor affected thereby, provided that no such change, waiver, modification or variance shall be made to Section 6.02 hereof of this Section 7.06 without the consent of each Secured Creditor adversely affected thereby.

SECTION 7.07. *Severability*. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions. It is understood and agreed among the parties that this Agreement shall create separate security interests in the Collateral securing the Obligations as provided in Section 3.01, and that any determination by any court with jurisdiction that the security interest securing any Obligation or class of Obligations is invalid for any reason shall not in and of itself invalidate the security interest securing any other Obligations hereunder.

SECTION 7.08. *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute a single contract and shall become effective as provided in Section 7.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 7.09. *Headings*. Article and Section headings used herein are for the purpose of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 7.10. *Termination*. After the Termination Date (as defined below), this Agreement shall terminate (provided that all indemnities set forth herein shall survive any such termination) and the Collateral Agent, at the request and expense of the Grantors, will, if requested by the Grantors, execute and deliver to the Grantors a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement as provided above, and will duly assign, transfer and deliver to such Grantor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by the Collateral Agent hereunder. As used in this Agreement, "Termination Date" shall mean the date upon which the Total Revolving Commitment has been terminated, no Note under the Credit Agreement is outstanding (and all Loans have been paid in full), all Letters of Credit have been cancelled (or have expired, undrawn) or collateralized to the satisfaction of the Administrative Agent and all other Obligations have been paid in full (other than arising from indemnities for which no request has been made).

SECTION 7.11. *Financing Statements*. Each Grantor hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any relevant jurisdiction any initial financing statements and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including (i) whether such Grantor is

an organization, the type of organization and any organizational identification number issued to such Grantor, (ii) any financing or continuation statements or other documents without the signature of such Grantor where permitted by law, including the filing of a financing statement describing the Collateral as "all assets now owned or hereafter acquired by the Grantor or in which Grantor otherwise has rights" and (iii) in the case of a financing statement filed as a fixture filing or covering Collateral constituting minerals or the like to be extracted or timber to be cut, a sufficient description of the real property to which such Collateral relates.

SECTION 7.12. *Collateral Agent Appointed Attorney-in-Fact*. Each Grantor hereby appoints the Collateral Agent the attorney-in-fact of such Grantor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable until this Agreement is terminated and coupled with an interest. Without limiting the generality of the foregoing, the Collateral Agent shall have the right, after the occurrence and during the continuance of an Event of Default (but subject to the terms of the Financing Orders), with full power of substitution either in the Collateral Agent's name or in the name of such Grantor, (a) to receive, endorse, assign or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due under and by virtue of any Collateral; (d) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (e) to send verifications of Accounts to any Account Debtor; (f) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (g) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (h) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent; and (i) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Creditors shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their respective own gross negligence or willful misconduct.

[Signatures on Following Page]

[SIGNATURE PAGES OMITTED]

[Form of]

ISSUER'S ACKNOWLEDGMENT AGREEMENT

AGREEMENT (as amended, modified, restated and/or supplemented from time to time, this "Agreement"), dated as of [, 20], among the undersigned grantor (the "Grantor"), BANK OF AMERICA, N.A., not in its individual capacity but solely as Collateral Agent (the "Collateral Agent"), and [ ], as the issuer of the Investment Property (the "Issuer").

W I T N E S S E T H :

WHEREAS, the Grantor, certain of its affiliates and the Collateral Agent have entered into a Debtor-In-Possession Security Agreement, dated as of October 30, 2009 (as amended, modified, restated and/or supplemented from time to time, the "Security Agreement"), (a) under which, among other things, in order to secure the payment of the Obligations, the Grantor has pledged o the Collateral Agent for the benefit of the Secured Creditors, and has granted a security interest in favor of the Collateral Agent for the benefit of the Secured Creditors in, all of the right, title and interest of the Grantor in and to substantially all of its assets, including all Investment Property from time to time issued by the Issuer, whether now existing or hereafter from time to time acquired by the Grantor (with all of such Investment Property being herein collectively called the "Issuer Pledged Interests"); and

WHEREAS, the Grantor desires the Issuer to enter into this Agreement in order to vest in the Collateral Agent control of the Issuer Pledge Interests and to provide for the rights of the parties under this Agreement;

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The Grantor hereby irrevocably authorizes and directs the Issuer, and the Issuer hereby agrees, to comply with any and all instructions and orders originated by the Collateral Agent (and its successors and assigns) regarding any and all of the Issuer Pledged Interests without the further consent by the registered owner (including the Grantor), and, following its receipt of a notice from the Collateral Agent stating that the Collateral Agent is exercising exclusive control of the Issuer Pledged Interests, not to comply with any instructions or orders regarding

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(a) Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

any or all of the Issuer Pledged Interests originated by any person or entity other than the Collateral Agent (and its successors and assigns) or a court of competent jurisdiction.

2. The Issuer hereby certifies that (i) no notice of any security interest, lien or other encumbrance or claim affecting the Issuer Pledged Interests (other than the security interest of the Collateral Agent) has been received by it, and (ii) the security interest of the Collateral Agent in the Issuer Pledged Interests has been registered in the books and records of the Issuer.

3. The Issuer hereby represents and warrants that (i) the pledge by the Grantor of, and the granting by the Grantor of a security interest in, the Issuer Pledged Interests to the Collateral Agent, for the benefit of the Secured Creditors, does not violate the charter, by-laws, partnership agreement, membership agreement or any other agreement governing the Issuer or the Issuer Pledged Interests, and (ii) the Issuer Pledged Interests consisting of capital stock of a corporation are fully paid and nonassessable.

4. All notices, statements of accounts, reports, prospectuses, financial statements and other communications to be sent to the Grantor by the Issuer in respect of the Issuer will also be sent to the Collateral Agent at the following address:

[ ]
[ ]
Attention: [ ]
Telephone No.: [ ]
Telecopier No.: [ ]

5. Following its receipt of a notice from the Collateral Agent stating that the Collateral Agent is exercising exclusive control of the Issuer Pledged Interests and until the Collateral Agent shall have delivered written notice to the Issuer that all of the Obligations have been paid in full and this Agreement is terminated, the Issuer will send any and all redemptions, distributions, interest or other payments in respect of the Issuer Pledged Interests from the Issuer for the account of the Collateral Agent only by wire transfers to such account as the Collateral Agent shall instruct.

6. Except as expressly provided otherwise in Sections 4 and 5, all notices, instructions, orders and communications hereunder shall be sent or delivered by mail, telegraph, telex, telecopy, cable or overnight courier service and all such notices and communications shall, when mailed, telexed, telecopied, cabled or sent by overnight courier, be effective when deposited in the mails or delivered to overnight courier, prepaid and properly addressed for delivery on such or the next Business Day, or sent by telex or telecopier, except that notices and communications to the Collateral Agent or the Issuer shall not be effective until received. All notices and other communications shall be in writing and addressed as follows:

(a) if to the Grantor, at:

Attention:
Telephone No.:
Fax No.:

(b) if to the Collateral Agent, at the address given in Section 4 hereof;

(c) if to the Issuer, at:

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder. As used in this Section 6, "Business Day" means any day other than a Saturday, Sunday, or other day in which banks in New York are authorized to remain closed.

7. This Agreement shall be binding upon the successors and assigns of the Grantor and the Issuer and shall inure to the benefit of and be enforceable by the Collateral Agent and its successors and assigns. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever except in writing signed by the Collateral Agent, the Issuer and the Grantor.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflict of laws.

IN WITNESS WHEREOF, the Grantor, the Collateral Agent and the Issuer have caused this Agreement to be executed by their duly elected officers duly authorized as of the date first above written.

[ ],
as Grantor

By: _____
Name:
Title:

[ ],
not in its individual capacity but solely
as Collateral Agent and Collateral Agent

By: _____
Name:
Title:

[ ],
as the Issuer

By: _____
Name:
Title:

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 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: November 20, 2009

/s/ DAVID L. HAUSER

David L. Hauser
Chief Executive Officer

QuickLinks

Exhibit 31.1
CERTIFICATION PURSUANT TO 17 CFR 240.13a-14 PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 31.2

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

I, Alfred C. Giammarino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 20, 2009

/s/ ALFRED C. GIAMMARINO

Alfred C. Giammarino
Chief Financial Officer

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Exhibit 31.2
CERTIFICATION PURSUANT TO 17 CFR 240.13a-14 PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 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
November 20, 2009

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.

QuickLinks

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

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 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, Alfred C. Giammarino, 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/ ALFRED C. GIAMMARINO

Alfred C. Giammarino
Chief Financial Officer
November 20, 2009

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.