

FAIRPOINT STABILIZATION PLAN

March 24, 2009

The FairPoint Stabilization plan is designed to ensure FairPoint returns to Business As Usual (BAU) by the end of the second quarter 2009. It will also be utilized to identify customer affecting issues and identify and track plans that can be immediately implemented to mitigate the impact as the final solution is put in place. Although the cutover impacted every system and process used by FairPoint, this plan will focus on the systems and processes that are used as we interface with our customers and will not address internal systems such as ERP, Payroll etc.

Background:

FairPoint initiated the cutover from Verizon's systems to its systems on January 31, 2009. During the first week of February, all the data extracts from the Verizon systems were loaded into the new FairPoint systems and we opened for business on Monday February 9, 2009, operating completely on our new systems as planned. As we started to utilize our new systems to run the business, we encountered some areas that did not work as well as anticipated. This was primarily in our billing processes, order flow, and call center response for both our retail and wholesale business. Since that time, many improvements and system corrections have been put into place and some areas have shown marked improvement. The result however, is we are not servicing our customers at an acceptable level, and we are not improving quickly enough. The FairPoint Stabilization Plan is being implemented to ensure we address all the issues at hand, put the resources and attention to the most critical areas of improvement and accurately monitor and measure our results.

Plan:

The Plan is focused on three primary areas that have many parts and subsets. The three primary areas that will be addressed are:

1. Call Centers
 - a. Consumer
 - b. Business
 - c. Repair
 - d. Service levels and responsiveness
 - e. Order flow backlog and ongoing business
2. Order Flow
 - a. POTS and ported orders
 - b. DSL
 - c. Complex orders and ASRs
 - d. Other unique wholesale issues (preorder)

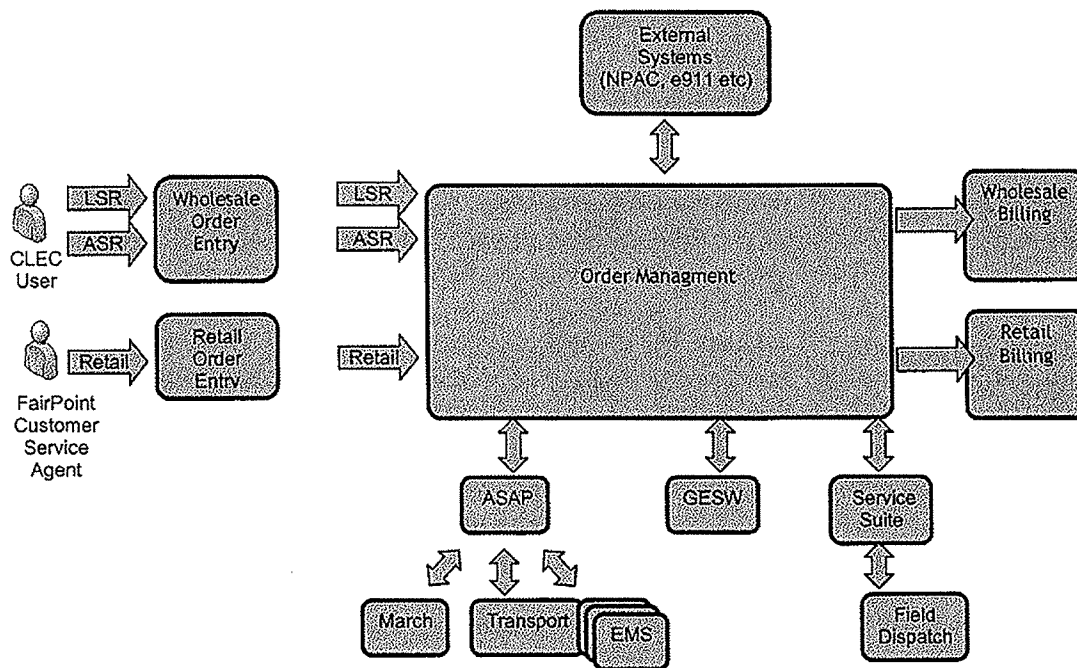
3. Billing
 - a. Wholesale and retail
 - b. Billing schedule
 - c. Toll mediation
 - d. Quality and accuracy

Most of the items that are addressed will have an equal impact on our wholesale and retail customers (such as order flow). However, there are some unique systems and processes that are used by each of these businesses. Both the wholesale and retail areas will be addressed in the plan.

In all segments of our business, there are three items which will be addressed that ultimately determine our ability to perform. These are People, Process and Systems. The plan will look at each of these for improvements and ultimately, success. For example, in the People area, the remediation could include a change in leadership, training or organization. For Process, it might include organizational restructuring or a change of how we do things. For Systems it would likely include changes in how our systems interact with the data, how our employees use the systems, system fixes and upgrades. Specific measurements to monitor our success will be incorporated and shared with our stakeholders on a regular basis. This will help ensure we meet the committed timeframes and will also be utilized to adjust resources as needed.

To understand the Plan, a general view of which systems are being utilized and how they interact is critical. The following is a diagram that shows how an order enters our system, how it moves through the entire process and finally completes to billing -- for both wholesale and retail. As you can see, the front end and billing are the only areas that are different for retail and wholesale customers.

FairPoint System High-Level Order Flow Summary



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Call Centers: There are many activities that occur in the call center with our Customer Service Representatives (CSRs). Primarily they answer calls, are our voice to the customers, and they start the order flow with most orders, including new orders, change orders and disconnects. We will address the order processing as part of the *Order Flow* section, and focus on the call answering results in this section.

Consumer Call Center: The consumer center was performing at very high levels prior to cutover, and is currently performing below acceptable levels. The reasons for this is attributable to both employee proficiency with the new systems and large call volumes. The proficiency of the reps has improved significantly since cutover. They have now had almost two months working with their new tools, and have had additional training sessions to improve their performance. However, the call volumes have increased, resulting in the current problem. Call volumes for the last 6 months of 2008 (pre-cutover) averaged 151,145/month. During this time, service levels for the consumer centers were 83%. Call volumes for March are trending toward a total of 351,384 calls for the month. The service levels at this volume have decreased significantly. The solution is fixing the root cause, thereby reducing calls to the center. There are three primary reasons customers are calling the centers in record numbers:

1. Billing questions: Due to the delayed billing of our first bill cycle runs, approximately 1 ½ months of bills were sent in a 3-week period. The high volume of bills sent out in a condensed timeframe would have, by itself,

caused an increase in call volumes above normal levels. Given that it was the first bill out of the new systems, there were increased errors that needed adjustment, a moderately different look and some small changes in how different fees and surcharges were calculated. Therefore the call volumes caused by billing issues are dramatic. Beginning the middle of March, the bill cycles have been brought back to their normal dates. This change and the increased accuracy of the bills should significantly mitigate the volume of calls generated for billing inquiries. It is critical however, that the accuracy of the bills is improved to BAU levels for the volume of calls to the center to normalize. This process will be discussed in the billing section.

2. **Order Flow:** The extended time it currently takes to complete several types of orders has caused a spike in the call volume. Customers call repeatedly to get their status or to inquire about a missed appointment. This appears to be the 2nd largest reason customers call the center and will not be eliminated until the order flow issues are resolved.
3. **Call Backs:** Due to the long wait times, many customers can't wait for a representative so they hang up and call back at a later time for service. Therefore, many customers call the centers several times to get the assistance they require. The solution to this issue is fixing items one and two. As the volume drops hold times are reduced, and then we can handle customers quickly and efficiently.

There are three key metrics to measure the success of the Consumer Call Center and how quickly we are returning to business as usual. These are call volume (measured weekly to take out the daily fluctuations), service levels and abandonment rates.

[Data and Chart Redacted]

Business Call Center: Much like the Consumer Call Center, the Business Call Center had very good results prior to cutover. In a typical month prior to cutover, the center handled 878 calls/day with a 91% service level. Since cutover the volume of calls has increased for the same reasons experienced in the consumer center. Call volumes for March have averaged 1,636 calls/day with a substandard service level. Given that the root cause for the additional calls is the same as the consumer center, the remedies and measurements are also the same.

[Data and Chart Redacted]

Repair Call Center: The repair call center provided excellent levels of services prior to the cutover, and although the results have not dropped as much as some of the other centers, there is room for improvement to return to a level of excellence. The repair centers have primarily been impacted by the core problem of order flow more so than billing issues. If an installation does not take place as scheduled, or a customer's new

service isn't turned up as expected, they will typically call the repair center. This group has also been receiving spillover calls from the consumer center where customers experienced long wait times. This alone has increased call volumes 37%, so as the volumes drop at the consumer and business call centers, the repair center will experience immediate improvement. Improving order flow will also have a significant impact on this center. When measuring the repair center, it is important to note this is a seven day a week operation, and the results are different for weekdays vs. weekends. Prior to cutover, during a weekday, the center took an average of 1,215 calls/day. They handled this with an average service level of 92%. During this same time period for weekends, the center took 475 calls/day and had a service level of 98%. For the month of March, the repair center is handling 2,654 calls/day during the weekdays, and 653 calls/day on the weekends. Service levels declined for both of these periods.

[Data Redacted]

We also noticed a big difference in service levels with a minimal difference in call volumes or calls/rep. Consequently adding a few service reps to this center can have an immediate and significant impact on the results. We are planning on adding 10 reps by April 3, 2009 to quickly improve results in this area.

[Charts Redacted]

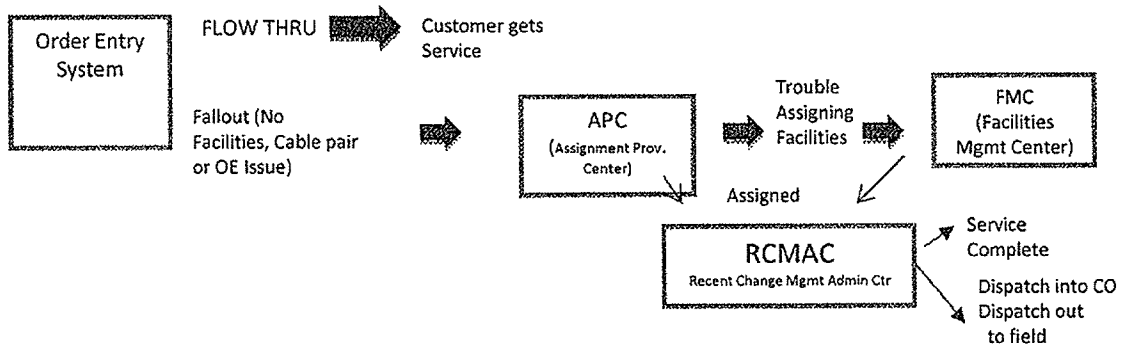
Order Flow: For the purposes of this plan we will look at order flow from the preorder status through to provisioning of the service. We will investigate both the wholesale and retail environments and look at all order types for status, remediation plans and for tracking results.

Retail Orders: The front end of the retail order process has the Customer Service Reps entering orders into our order entry system. Many of these orders flow through to completion, but some do not. A primary area of concern that experienced significant improvement is in the area of "unsubmitted orders." An unsubmitted order is one that enters the system but does not move forward to the next stage of provisioning. At the front end of the order process flow this is the most significant measurement. The number of unsubmitted orders has dropped dramatically during March and is now at a near BAU state.

[Chart Redacted]

Once an order is started in the system, it moves through several stages on its way to completion. This flow is different for POTS/DSL orders and Complex orders. Each of these order types will be assessed and measurements of success attached to ensure all orders reach completion.

POTS/DSL



DSL can also fallout to:

IOF Design – For Static IP Addressing
BSSG – Broadband Support Service Group
for “other provisioning issues”

In the Wholesale environment, there is an additional preorder process. To date, this has been a challenge, and the CLECs have been unable to consistently obtain customer service information through the current preorder transaction in Wholesale order entry system. There have been several steps taken to first mitigate, and then eliminate, this problem. To mitigate the problem, a manual loop qualification and CSR process was established. At the same time a permanent IT solution was being developed. The systems improvements have now been put into place, and the testing with the CLECs to validate defect resolution has begun. It is anticipated that full functionality of preorder CSR will be available to all the CLECs on April 3, 2009.

The APC/FMC is an area that requires some changes. New orders each day are exceeding the number of orders completed, so consequently the number of orders in these queues continues to grow. The reason for this issue is a combination of systems, people (primarily training) and resources, and all need to be addressed. The current combined queue is substantially above an acceptable level, with many of these orders exceeding the due date. Our objective for BAU is to reduce the late queue to normal. To get to this state, several initiatives have been started. On the system side, a list of data fixes and application improvements has been prioritized, and sent to IT for implementation. This needs to be carefully monitored insuring these changes happen as planned. Additionally, there is significant retraining underway to improve the proficiency of the entire group. Extensive training has been scheduled in each work location from 3/23 – 4/10 with planned webex sessions to follow. From a resource perspective, additional personnel are being added to these groups (four additional engineers are being added to help the FMC

supervisors, overtime is being maximized, additional field resource is being considered to be “loaned” to this group, the staffing group is attempting to add staff and specific systems engineers are being sought from our vendors). We will focus on three areas as we track our success. First, we need to track the total data fixes and application improvements going to IT and when and how many are completed, the size of the queues and our training progress of our staff.

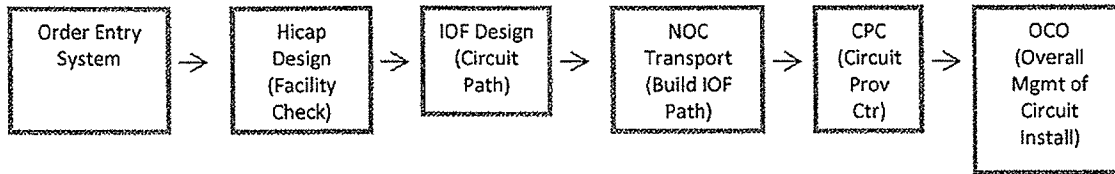
A number of other organizations may get involved if an order does not flow through. These include RCMAC and BSSG as noted on the chart. RCMAC currently has a higher than normal number of orders in its queue. This has been caused by porting orders falling into RCMAC and expected POTS flow through orders falling out into their queue. The remedy for this is to implement some system adjustments and adhere to business rules. BAU will see the POTS orders flowing through at an 80% level, and porting orders working through the system automatically.

The BSSG has a high number of orders in its work queues, and is completing fewer orders than they are receiving. The desired result is to move this queue to normal levels and complete orders that come into the center within 24 hours.

Complex orders are by their nature more manual, and require more handoffs. This is true for both retail orders and wholesale ASRs. The following chart depicts the complex order flow.

[Chart Redacted]

COMPLEX ORDER FLOW – MANUAL DESIGN



-Depending on Service Request – other groups are involved

Examples include:

- PRI – VNCP (Voice Network Creation & Prov)
- Centrex – RCMAC
- PRI/Switched Access Svcs – NOC Switch
- Data Services – BSSG & IT Groups

Both our retail and wholesale customers have experienced the biggest delays in this area. It has been characterized by engineering, outside plant and IOF delays, problems with circuit ID assignments and, on the retail side, additional issues with the complex order writing function. There are several initiatives underway to rectify this problem. These include the introduction and deployment of SWAT teams to increase ASR input; a priority list of both wholesale (by CLEC) and retail customers; and the coordination of different team activities to push orders through. A daily prioritization of system improvements is provided to IT, the training organization has a comprehensive plan for this group, and additional provisioners are being added. The target for this group is to return to pre-cutover intervals for both the retail and wholesale customers by April 15th.

Billing: Measuring the success of our billing conversion falls primarily into two categories. One is the timeliness of getting out the bills to both our retail and wholesale customers, and the other is the quality or accuracy of the bills. Initially the bill cycles fell behind anticipated dates. This is now current for both the retail and wholesale bills, and bill cycles are being calculated and mailed per our normal billing cycle dates. We have an active plan to minimize any bill defects. Prior to sending a bill cycle, each cycle is proactively reviewed at least four days prior to the cycle dates examining all products by state to validate:

- Pricing of MRCs and NRCs
- Usage rates by calling plan
- Taxes/surcharges
- Invoice presentation
- Transactions and payments

- General customer information.

Defects are identified and fixed prior to the bill cycle or invoices are held until the defect is fixed.

Despite these precautions, we have had some billing errors. Once identified, the defect is fixed for future invoices, and the appropriate credit or charge is applied to the impacted group of customers. The major focus of the billing team at this point is to identify these defects and put a fix in place before sending the invoice for payment. The number of defects and impacted customers is being tracked to return to BAU.

[Table Redacted]

All of the processes and areas of improvement have detailed work plans associated with them which are not part of this document. There are also several interim mitigation plans to bring us closer to BAU as the final solution is implemented. The impact of these plans is shown in the milestones we have established to track progress.