

OCA questions to FairPoint regarding Financial Issues
June 5, 2009

PUBLIC REDACTED VERSION

1. In response to Items 3 and 4 of FairPoint's May 26, 2009 response to the NHPUC's May 18, 2009 Secretarial Letter, FairPoint stated that it "currently is in the process of developing a detailed forecast for the balance of 2009 as well as 2010." FairPoint further stated that the detailed forecast "is not expected to be completed until late June 2009." On what date will the detailed forecast be completed? In addition to providing the "detailed forecast" when it is completed, please provide all existing forecasts (including cash flows) for the remainder of 2009 and 2010.
2. The 2009 budget referred to in Items 3 & 4 of and attached to FairPoint's May 26, 2009 response to the NHPUC included <<<**BEGIN CONFIDENTIAL**>>>
<<<**END CONFIDENTIAL**>>>. Please provide and compare FairPoint's <<<**BEGIN CONFIDENTIAL**>>>
<<<**END CONFIDENTIAL**>>>. Please provide any updated <<<**BEGIN CONFIDENTIAL**>>> <<<**END CONFIDENTIAL**>>> that form the basis of or relate in any way to the "detailed forecast" that FairPoint is developing.
3. What is FairPoint's most current calculation of 2009 EBITDA and adjusted EBITDA?
4. Please refer to Item 5 of FairPoint's May 26, 2009 response to the NHPUC. In total, please quantify how much cash FairPoint expects these measures to preserve for 2009.
5. Has FairPoint investigated the option of selling its poles (e.g., sale and lease back) as an option for raising cash? Please explain and provide the status of any considerations or efforts in this regard.
6. Has FairPoint implemented a freeze on all cash bonuses, cash incentive payments, and similar uses of cash? Please describe in detail any such restrictions, including the period of time to which the restriction relates.
7. Has FairPoint investigated selling any of its Legacy systems as a way to raise cash? Please describe in detail any plans or efforts to sell Legacy systems.
8. Please provide the most recent A/P balance as well as the balances as of 1/31/09, 2/28/09, 3/31/09 and 4/30/09.
9. Does FairPoint owe any money or dispute any claims for payment for any services or goods received other than the amounts included in its A/P? If so, please provide the most recent total balance of these amounts as well as the balances as of 1/31/09, 2/28/09, 3/31/09 and 4/30/09. Please explain the nature of the amounts that make up these totals and explain why they are not included in A/P.
10. At the status conference on June 1, Public Service of New Hampshire (PSNH) claimed that FairPoint owes PSNH approximately \$3 million. Where are these amounts accounted for in FairPoint's books or financial reports? What amounts, if any, are owed to other electric utilities for ice storm, tree trimming, pole maintenance or other costs?

11. Please identify any consultants that FairPoint has retained or is considering retaining for the purpose of restructuring its debt. Please provide a copy of the agreement or contract between FairPoint and any such consultant. Please describe all work performed to date by any such consultant.
12. Has FairPoint had any discussions with its lenders or consultants about restructuring its debt? If so, please describe in detail these discussions and the current status of any efforts to restructure debt.
13. On May 12, 2009, the NHPUC authorized FairPoint to use \$50 million originally earmarked in the January 23, 2008 Settlement Agreement for New Hampshire specific expenditures. Please identify all uses to date of these funds and all planned uses of this money in the future. To the extent that these funds are being used for operating expense or other similar uses, and are therefore serving to make other funds available for new uses, please provide the use of those funds.
14. Has FairPoint repurchased any of the 13 1/8 % senior notes due 2018 since May 12, 2009? If so, what was the discount and how much many were repurchased?
15. Please provide a link to a website or other information through which the OCA could learn what the discount on the 13 1/8 % senior notes due 2018 is on a regular (i.e., daily) basis.
16. Is FairPoint assuming that American Recovery and Reinvestment Act (ARRA) funds will be available to the Company? If so, to what extent is the Company assuming that those funds would offset the cash investments that FairPoint would otherwise have to make? Please explain the time frames involved, and the specific types of funds FairPoint anticipates to be potentially available.
17. What is the total amount owed to customers for any reason? What is the total amount owed to customers for overcharges? What is the total amount owed to customers for incorrect billing? If FairPoint does not know the actual amounts, please provide a best estimate and state how the estimate was derived.
18. What is the process for paying amounts owed to customers (e.g., refunds)? Please provide the total time for the process and the time for each step of the process.
19. Order 24,823 of the NHPUC approving the merger, which incorporated terms of a settlement agreement between FairPoint, Verizon and the NHPUC Staff, required certain debt reduction. Pursuant to section 2.3 of the January 23, 2008 settlement agreement, FairPoint must repay a portion of the debt related to the merger in each of the four quarters in 2009. Please state when FairPoint expects to make the payment related to the second, third and fourth quarters. Please identify the source of the funds for these payments, and the amounts to be paid.
20. Please be prepared to discuss any communications that FairPoint has had or is having with regulators in states where its Legacy systems operate resulting from FairPoint's current financial status, including cash management or expenditure decisions that are impacting its Legacy systems.