



FOR IMMEDIATE RELEASE

FAIRPOINT COMMUNICATIONS REPORTS SECOND QUARTER 2008 RESULTS

*Adjusted EBITDA Ahead of Plan Despite Higher Access Line Losses;
Progress Made on Business Sales*

CHARLOTTE, N.C. (August 7, 2008) – FairPoint Communications, Inc. (**NYSE:FRP**) (“FairPoint” or the “Company”), a leading provider of communications services to communities across the country, today announced its financial results for its second quarter ended June 30, 2008. FairPoint completed its merger with Northern New England Spinco Inc. (“Spinco”), an entity that held Verizon Communications’ landline and certain related operations in Maine, New Hampshire and Vermont (the “Northern New England business”) on March 31, 2008. As a result, the GAAP financial statements contained in this earnings release consist of the following: (1) a statement of operations for the three months ended June 30, 2008 representing the operating results of the consolidated company; (2) a statement of operations for the three months ended June 30, 2007 representing the operating results of the Northern New England business only; (3) a balance sheet as of June 30, 2008 representing the consolidated company balance sheet; and (4) the balance sheet as of December 31, 2007 representing the balance sheet of the Northern New England business only as of such date. For comparison purposes, the Company is also reporting combined pro forma results for the three months ended June 30, 2007 reflecting the operations of both Spinco and FairPoint prior to the merger with Spinco (“Legacy FairPoint”).

Commenting on the second quarter results, Gene Johnson, chairman and CEO of FairPoint Communications stated, “With the merger now completed we’re pleased with the integration of two strong teams and are focused on making progress in operating metrics. For the quarter, Adjusted EBITDA was better than expected, primarily the result of lower expenses. The underlying health of our balance sheet and our ability to generate significant free cash flow enables us to continue to pay out a healthy quarterly dividend while maintaining an appropriate leverage ratio. Operationally, we saw particular progress this quarter in business sales which drove increases in special access revenues. While the overall economy has had some impact on our operational results, we are introducing new product bundles and product offerings in our Legacy FairPoint properties, and implementing balanced and measured win-back programs. These efforts should provide improved operational results in the second half of 2008 and beyond. We are executing our sales and marketing plans for the recently acquired assets in northern New England and expect to significantly accelerate this effort after cutover.”

Johnson, concluded, “We have made significant progress on the integration of the Verizon assets in northern New England and we are working toward a November cutover. Since the July Cutover Monitoring Status Report from Liberty Consulting Group was issued, we have made steady and meaningful progress on all testing fronts and are working diligently on closing any remaining gaps in the testing and other key areas of the cutover.”

Results for the Three Month Period Ended June 30, 2008 (presented on a GAAP basis which compares the consolidated Company's results for the 2008 period to the results of the Northern New England business only for the 2007 period)

Revenues for the second quarter of 2008 were \$344.7 million, up 15.1% from the second quarter of 2007. The merger and resulting acquisition of Legacy FairPoint, which closed on March 31, 2008, contributed \$67.0 million to total revenues in the three months ended June 30, 2008. Excluding the impact of the acquisition, total revenues would have decreased \$21.7 million over the prior year. The primary driver of this revenue decline was a decline in local revenue due to increased competition and a decrease in interstate access revenues. The rate of revenue decline is expected to abate, but meaningful improvements will not take effect until after the transition off of the Transition Services Agreement (the "TSA") with Verizon, expected to occur at the end of November 2008, at which time marketing programs and other initiatives can be fully implemented.

The Company has seen solid results from its business sales team. Special access revenues have increased over the prior year and early reports indicate that the anticipated opportunity to improve sales to business customers is proceeding according to plan.

Cost of services and sales decreased \$8.0 million to \$133.9 million in the second quarter of 2008 compared to the same period in 2007. Legacy FairPoint contributed \$23.7 million to cost of services and sales expenses in the three months ended June 30, 2008. Also included in cost of services and sales for the three months ended June 30, 2008 are \$18.9 million of TSA expenses and \$5.0 million of non-cash pension and other post-employment benefit expenses. These costs were offset by the elimination of allocated costs from other Verizon affiliates prior to close.

Selling, general and administrative ("SG&A") expenses increased \$37.1 million to \$102.3 million in the second quarter of 2008 compared with the same period in 2007. Legacy FairPoint contributed \$16.6 million to SG&A expenses in the three months ended June 30, 2008. Also included in SG&A expenses for the three months ended June 30, 2008 are \$30.6 million of TSA expenses, \$10.0 million of one-time merger related costs (which the Company is permitted to add back to EBITDA under its credit facility) and \$1.7 million of non-cash pension and other post-employment benefit expenses. These costs were offset by the elimination of allocated costs from other Verizon affiliates prior to close.

Total operating expenses increased \$40.7 million to \$305.9 million in the second quarter of 2008 compared with the same period in 2007, primarily due to TSA expenses and costs contributed by Legacy FairPoint partially offset by a decrease in allocated expenses from Verizon which were no longer incurred as of March 31, 2008.

Total other expenses during the three months ended June 30, 2008 decreased \$15.4 million to \$1.7 million. The primary driver of this decrease was a non-cash gain recognized during the quarter of \$43.1 million related to derivative instruments offset by a \$27.1 million increase in interest expense. Interest expense increased as a result of the new post-close capital structure.

Net income for the three months ended June 30, 2008 was \$23.1 million, or \$0.26 per share on a fully diluted basis, compared with \$10.3 million, or \$0.19 per share for the same period in 2007. The variance in the year-over-year comparison is a result of the items discussed above.

Pro Forma Financial Results

The pro forma statement of operations for the three months ended June 30, 2007 contained in this earnings release excludes revenues or expenses that were not transferred to FairPoint in connection with the merger, includes the combination of Legacy FairPoint and Spinco and includes the combined capital structure of the Company post-merger. For more information about pro forma financial results, including certain adjustments and assumptions, see the attachments to this press release.

Adjusted EBITDA for the Three Month Period Ended June 30, 2008 (presented on a pro forma basis)

Adjusted EBITDA (as defined herein) for the three months ended June 30, 2008 was \$175 million, compared with Adjusted EBITDA of \$164 million for the same period in the prior year. The increase in Adjusted EBITDA is primarily due to lower expenses partially offset by lower revenues.

Other Operating Metrics

High speed data (or "HSD") penetration for the combined Company increased to 19.3% of voice access lines at June 30, 2008, compared with 16.5% at June 30, 2007. HSD penetration within Legacy FairPoint increased to 31.7%, up from 26.3% at June 30, 2007, reflecting the continued success and momentum Legacy FairPoint has consistently reported on a quarterly basis for the past several years. This is partly the result of Legacy FairPoint's significantly higher percentage of homes capable of subscribing to the Company's HSD offerings, which is a strategy that will be replicated in northern New England.

Voice access lines at June 30, 2008 were 1,525,895, down 10.4% from 1,703,429 reported at June 30, 2007. Legacy FairPoint's access lines decreased at a rate of 6.4%, compared with a rate of decline of 11.1% in northern New England.

Interstate long distance penetration for the combined company at June 30, 2008 increased to 43.0% of voice access lines compared with 42.4% at June 30, 2007.

Total access line equivalents were 1,820,307 as of June 30, 2008. Total access line equivalents as of June 30, 2008 decreased 8.3% compared with June 30, 2007 and decreased 2.4% compared with March 31, 2008. Total access line equivalents year-over-year for Legacy FairPoint declined 2.5% compared with the 9.3% loss in northern New England.

Access Line Equivalents

	<u>6/30/2008</u>	<u>3/31/2008</u>	<u>6/30/2007</u>	<u>% change 6/30/07 to 6/30/08</u>
Legacy FairPoint				
Residential access lines	176,891	178,659	190,417	(7.1%)
Business access lines	54,619	54,692	56,945	(4.1%)
Wholesale access lines	-	-	-	-
Subtotal: access lines	<u>231,510</u>	<u>233,351</u>	<u>247,362</u>	<u>(6.4%)</u>
HSD subscribers	<u>73,326</u>	<u>70,168</u>	<u>65,132</u>	<u>12.6%</u>
Total access line equivalents	<u>304,836</u>	<u>303,519</u>	<u>312,494</u>	<u>(2.5%)</u>
Northern New England				
Residential access lines	819,640	851,961	936,766	(12.5%)
Business access lines	358,014	365,307	383,203	(6.6%)
Wholesale access lines	116,731	119,550	136,098	(14.2%)
Subtotal: access lines	<u>1,294,385</u>	<u>1,336,818</u>	<u>1,456,067</u>	<u>(11.1%)</u>
HSD subscribers	<u>221,086</u>	<u>225,410</u>	<u>215,454</u>	<u>2.6%</u>
Total access line equivalents	<u>1,515,471</u>	<u>1,562,228</u>	<u>1,671,521</u>	<u>(9.3%)</u>
Combined total access line equivalents	<u>1,820,307</u>	<u>1,865,747</u>	<u>1,984,015</u>	<u>(8.3%)</u>

Conference Call and Webcast

As previously announced, FairPoint will host a conference call and simultaneous webcast to discuss its second quarter results at 5:00 p.m. EDT on August 7, 2008. Participants should call (888) 253-4456 (US/Canada) or (706) 643-3201 (International) and request the FairPoint Communications second quarter earnings call or Conference ID# 587-444-22. A telephonic replay will be available for anyone unable to participate in the live call. To access the replay, call (800) 642-1687 and enter the confirmation code 587-444-22. The recording will be available from August 7, 2008 at 6:00 p.m. (EDT) through August 14, 2008 at 11:59 p.m. (EDT).

A live broadcast of the earnings conference call will be available via the Internet at www.fairpoint.com under the Investor Relations section. An online replay will be available beginning at 6:00 p.m. (EDT) on August 7, 2008 and will remain available for one year.

During the conference call, representatives of the Company may discuss and answer one or more questions concerning the Company's business and financial matters. The responses to these questions may contain information that has not been previously disclosed.

Non-GAAP Financial Measures

EBITDA (as defined herein) and Adjusted EBITDA are non-GAAP financial measures (i.e., they are not measures of financial performance under generally accepted accounting principles) and should not be considered in isolation or as a substitute for consolidated statements of operations and cash flows data prepared in accordance with GAAP. In addition, the non-GAAP financial measures used by FairPoint may not be comparable to similarly titled measures of other companies. For definitions of and additional information regarding EBITDA and Adjusted EBITDA, and a reconciliation of such measures to the most comparable financial measures calculated in accordance with GAAP, please see the attachments to this press release.

FairPoint believes EBITDA is useful to investors because EBITDA is commonly used in the communications industry to analyze companies on the basis of operating performance, liquidity and leverage. FairPoint believes EBITDA allows a standardized comparison between companies in the industry, while minimizing the differences from depreciation policies, financial leverage and tax strategies.

Certain covenants in FairPoint's credit facility and the indenture governing its senior notes and the regulatory orders contain ratios based on Adjusted EBITDA and the restricted payment covenants in such agreements regulating the payment of dividends on FairPoint's common stock are based on Adjusted EBITDA. If FairPoint's Adjusted EBITDA were to decline below certain levels, covenants in FairPoint's credit facility that are based on Adjusted EBITDA may be violated and could cause, among other things, a default under such credit facility, or result in FairPoint's inability to pay dividends on its common stock.

While FairPoint uses these non-GAAP financial measures in managing and analyzing its business and financial condition and believes they are useful to its management and investors for the reasons described above, these non-GAAP financial measures have certain shortcomings. In particular, Adjusted EBITDA does not represent the residual cash flows available for discretionary expenditures, since items such as debt repayment and interest payments are not deducted from such measure. FairPoint's management compensates for the shortcomings of these measures by utilizing them in conjunction with their comparable GAAP financial measures.

The information in this press release should be read in conjunction with the financial statements and footnotes contained in FairPoint's Quarterly Report on Form 10-Q to be filed with the Securities and Exchange Commission. FairPoint's results for the quarter ended June 30, 2008 are subject to the completion and filing with the Securities and Exchange Commission of its Quarterly Report on Form 10-Q for such quarter.

About FairPoint

FairPoint Communications, Inc. is an industry leading provider of communications services to communities across the country. Today, FairPoint owns and operates local exchange companies in 18 states offering advanced communications with a personal touch including local and long distance voice, data, Internet, television and broadband services. FairPoint is traded on the New York Stock Exchange under the symbol FRP. Learn more at www.fairpoint.com.

This press release may contain forward-looking statements by FairPoint that are not based on historical fact, including, without limitation, statements containing the words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions and 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. Such factors include those risks described from time to time in FairPoint’s filings with the Securities and Exchange Commission (“SEC”), including, without limitation, the risks described in FairPoint’s most recent Quarterly Report on Form 10-Q on file with the SEC. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. All information is current as of the date this press release is issued, and FairPoint undertakes no duty to update this information.

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Attachments

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets Under GAAP

	June 30,	December 31,
	2008 (A)	2007 (A)
	(unaudited)	
	(Dollars in thousands)	
Assets		
Current assets:		
Cash	\$ 11,150	\$ —
Restricted cash	13,400	—
Accounts receivable, net	181,066	160,130
Other receivables	37,931	18,579
Materials and supplies	39,749	4,229
Other	50,420	21,180
Deferred income tax, net	22,093	9,730
Short term investments	—	37,090
Total current assets	355,809	250,938
Property, plant, and equipment, net	1,884,847	1,628,066
Intangibles assets, net	227,536	2,019
Prepaid pension asset	69,977	36,692
Debt issue costs, net	28,144	—
Other assets	83,071	20,457
Investments	6,938	—
Goodwill	613,945	—
Total assets	\$ 3,270,267	\$ 1,938,172
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 9,190	\$ —
Current portion of capital lease obligations	2,167	2,064
Accounts payable	188,606	175,866
Dividends payable	22,918	—
Accrued interest payable	18,758	—
Interest rate swaps	20,353	—
Other accrued liabilities	76,857	47,115
Total current liabilities	338,849	225,045
Long-term liabilities:		
Capital lease obligations	8,196	9,936
Employee benefit obligations	179,882	408,863
Deferred income taxes	251,989	140,911
Unamortized investment tax credits	5,763	5,877
Other long-term liabilities	38,540	28,378
Long-term debt, net of current portion	2,206,777	—
Interest rate swap agreements	11,191	—
Total long-term liabilities	2,702,338	593,965
Minority interest	7	—
Stockholders' equity:		
Common stock	890	538
Additional paid-in capital	777,825	484,383
Retained Earnings	(470,917)	634,241
Accumulated other comprehensive loss	(78,725)	—
Total stockholders' equity	229,073	1,119,162
Total liabilities and stockholders' equity	\$ 3,270,267	\$ 1,938,172

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations Under GAAP
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008 (A)	2007 (A)	2008 (A)	2007 (A)
	<i>(Dollars in thousands)</i>		<i>(Dollars in thousands)</i>	
Revenues	\$ 344,690	\$ 299,407	\$ 627,104	\$ 597,356
Operating expenses:				
Cost of services and sales, excluding depreciation and amortization	133,900	141,931	269,737	277,646
Selling, general and administrative expense, excluding depreciation and amortization	102,290	65,171	165,406	129,204
Depreciation and amortization	69,741	58,103	123,666	116,001
Total operating expenses	305,931	265,205	558,809	522,851
Income from operations	38,759	34,202	68,295	74,505
Other income (expense):				
Interest expense	(45,123)	(18,026)	(59,645)	(35,819)
Gain on derivative instruments	43,123	—	43,123	—
Other	264	892	1,250	1,799
Total other expense	(1,736)	(17,134)	(15,272)	(34,020)
Income before income taxes	37,023	17,068	53,023	40,485
Income tax expense	(13,909)	(6,757)	(20,366)	(15,736)
Net income	\$ 23,114	\$ 10,311	\$ 32,657	\$ 24,749
Weighted average shares outstanding:				
Basic	88,725	53,761	62,077	53,761
Diluted	89,190	53,761	62,483	53,761
Earnings per share:				
Basic	\$ 0.26	\$ 0.19	\$ 0.53	\$ 0.46
Diluted	\$ 0.26	\$ 0.19	\$ 0.52	\$ 0.46

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows Under GAAP
(Unaudited)

	Six months ended	
	June 30,	
	2008	2007
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	\$ 32,657	\$ 24,749
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Deferred income taxes	24,489	(11,170)
Provision for uncollectible revenue	7,543	10,059
Depreciation and amortization	123,666	116,001
SFAS 106 post-retirement accruals	29,103	44,993
Gain on derivative instruments	(43,123)	—
Other non cash items	(26,406)	(51,673)
Changes in assets and liabilities arising from operations:		
Accounts receivable and other current assets	(91,970)	3,599
Accounts payable and other accrued liabilities	10,557	(19,142)
Other	(16,221)	—
Total adjustments	<u>17,638</u>	<u>92,667</u>
Net cash provided by operating activities of continuing operations	<u>50,295</u>	<u>117,416</u>
Cash flows from investing activities of continuing operations:		
Acquired cash balance, net	11,552	—
Net capital additions	(98,348)	(75,437)
Net proceeds from sales of investments and other assets	235	19,489
Net cash used in investing activities of continuing operations	<u>(86,561)</u>	<u>(55,948)</u>
Cash flows from financing activities of continuing operations:		
Loan origination costs	(29,238)	—
Proceeds from issuance of long-term debt	1,676,000	—
Repayments of long-term debt	(687,491)	—
Contributions from Verizon	344,629	(61,010)
Restricted cash	(80,886)	—
Repayment of capital lease obligations	(1,637)	(458)
Dividends paid to stockholders	(1,173,961)	—
Net cash provided by (used in) financing activities of continuing operations	<u>47,416</u>	<u>(61,468)</u>
Net increase in cash	11,150	—
Cash, beginning of period	—	—
Cash, end of period	<u>\$ 11,150</u>	<u>\$ —</u>
Supplemental disclosure of cash flow information:		
Non-cash equity consideration	\$ 316,290	\$ —
Non-cash issuance of senior notes	551,000	—

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Combined Statement of Operations (Non-GAAP)
For the Three Months Ended June 30, 2007
(in millions, except per share data)

	Northern New England business (A)	Legacy FairPoint (B)	Merger Related Costs	Pro Forma Adjustments	Pro Forma Results for Combined Businesses
Revenues	\$299	70	-	(1) (C)	\$368
Operating expenses:					
Cost of services and sales, excluding depreciation and amortization	142	12		(9) (C)(D)	145
Selling, general and administrative expense	65	32	8 (I)	(10) (D)(J)	95
Depreciation and amortization	58	12		4 (F)	74
Total operating expenses	265	56	8	(15)	314
Income from operations	34	14	(8)	14	54
Other income (expense):					
Interest expense	(18)	(10)	-	(22) (E)(H)	(50)
Interest and dividend income	-	-	-		-
Loss on derivative instruments	-	-	-		-
Other nonoperating, net	1	49	-	(48) (G)	2
Total other expense	(17)	39	-	(70)	(48)
Income before income taxes	17	53	(8)	(56)	6
Income tax (expense) benefit	(7)	(14)	3 (L)	19 (L)	(2)
Net income	\$10	39	(5)	(37)	\$4
Basic weighted average shares outstanding	53.8	34.8			88.6
Diluted weighted average shares outstanding	53.8	34.9			88.7
<i>Basic earnings per common share:</i>					
Continuing operations	\$0.19				\$0.05
<i>Diluted earnings per common share:</i>					
Continuing operations	\$0.19				\$0.05

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Unaudited Reconciliation of Net Income under GAAP to Pro Forma Adjusted EBITDA (Non-GAAP)
(in millions)

	Three Months Ended	
	June 30, 2008	Pro forma June 30, 2007
EBITDA (1)		
Net Income	23	4
Depreciation and amortization	70	74
Interest expense	45	50
Income taxes	14	2
EBITDA	152	130
(Gain) loss on derivatives	(43)	—
Estimated quarterly cost savings (3)	—	28
Transition services agreement	49	—
Non-cash pension and OPEB	7	6
Other one-time items	10	—
Adjusted EBITDA (2)	\$ 175	\$ 164

- (1) EBITDA is defined as net income (loss) before interest expense, provision (benefit) for income taxes, depreciation and amortization.
- (2) Adjusted EBITDA is defined as EBITDA adjusted to exclude unusual or one-time non-recurring items, non-cash items and other adjustments and to include anticipated cost savings related to the merger and other adjustments.
- (3) Represents the quarterly run-rate cost savings as a result of the merger, which FairPoint expected to achieve following the termination of the Transition Services Agreement which is expected to occur in November 2008. These cost savings relate to the elimination of approximately \$390 million (based on full year 2007 results) in annual costs and expenses, primarily consisting of shared corporate expenses allocated to the Northern New England business by Verizon. FairPoint believes that it can perform the corporate services provided by Verizon at a cost that is substantially less than that which was historically allocated to the Northern New England business. These costs will be replaced by (i) certain increased costs of approximately \$254 million annually, (ii) the elimination of \$18 million of annual revenue as a result of rate adjustments in Maine and (iii) the elimination of \$6 million of annual revenue as a result of anticipated reductions in access charges in the future if a proceeding that is currently before the New Hampshire Public Utilities commission is decided adversely. There can be no assurances that these or any other cost savings will actually be realized.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Revenue Detail (unaudited)

(in thousands)

	Three Months Ended June 30, 2008	Pro Forma Three months Ended March 31, 2008 (A)	Pro Forma Three months Ended June 30, 2007 (A)
Local calling services	\$ 141,803	\$ 145,316	\$ 156,357
Interstate access	84,885	87,187	89,979
Intrastate access	14,613	16,007	16,989
Long distance services	49,090	48,624	51,205
Data and Internet services	30,552	30,653	28,928
Universal Service Fund high-cost loop	9,692	9,682	10,059
Other services	14,055	12,372	14,786
Total revenue	\$ <u>344,690</u>	\$ <u>349,841</u>	\$ <u>368,303</u>

(A) Pro forma revenues for the three months ended March 31, 2008 and June 30, 2007 assume the acquisition of Legacy FairPoint occurred on January 1, 2007. Legacy FairPoint revenues are not included in the total revenue reported under GAAP for the three months ended March 31, 2008, which period was prior to the consummation of the merger.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND UNAUDITED PRO FORMA COMBINED FINANCIAL
STATEMENTS**

- (A) On March 31, 2008, FairPoint completed a merger with 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 Verizon and its subsidiaries transferred certain specified assets and liabilities of the local exchange business of Verizon New England in Maine, New Hampshire and Vermont and the customers of the related long distance and Internet service provider business in those states to subsidiaries of Spinco. The merger was accounted for as a “reverse acquisition” and, therefore, Spinco is treated as the acquirer for accounting purposes. As a result, for the three months ended June 30, 2008, the statement of operations and the financial information derived from the statement of operations as reported under GAAP reflects the financial results of FairPoint beginning April 1, 2008 and of the Northern New England business for the six months ended June 30, 2008. The balance sheet and financial information derived from the balance sheet reflect the combined assets and liabilities of Legacy FairPoint and Spinco at June 30, 2008. Certain assets and liabilities of the Northern New England business (principally related to pension, other post-employment benefits and associated deferred taxes) were not distributed to Spinco in the merger and were effectively contributed back to Verizon. The statement of operations as reported under GAAP may not be indicative of Spinco’s and FairPoint’s future results (after giving effect to the merger).

All results presented herein prior to March 31, 2008 represent the historical financial results of the Northern New England business and represent special-purpose combined financial statements prepared to present the balance sheets, statement of operations and cash flows of the Northern New England business in contemplation of a proposed merger with Legacy FairPoint and related transactions. These special-purpose combined financial statements were prepared in accordance with U.S. generally accepted accounting principles. Prior to March 31, 2008, these financial statements were prepared using specific information where available and allocations where data was not maintained on a state-specific basis within the Northern New England business’ books and records.

The special-purpose combined financial statements include the wireline-related businesses, Internet access, long distance and customer premises equipment services provided by the Northern New England business to customers in the states of Maine, New Hampshire and Vermont. All significant intercompany transactions have been eliminated. These special-purpose combined financial statements also included the assets, liabilities and expenses related to employees who support the Northern New England business, some of whom remained employees of Verizon following the merger.

- (B) To reflect operating results recognized by FairPoint for the three months ended June 30, 2007 as if the merger had occurred as of January 1, 2007.
- (C) This adjustment reflects revenues and related expenses associated with VoIP and wireless directory assistance services which were not transferred to Spinco. For the three months ended June 30, 2007, the Northern New England business recorded approximately \$1 million in revenue and \$1 million in expenses, associated with VoIP and wireless directory assistance services. In addition, it reflects certain revenues and related expenses associated with customers of VSSI-CPE that were not transferred to Spinco.

- (D) This adjustment reflects the reduction in pension and OPEB expense of \$10 million for the three months ended June 30, 2007 for the Northern New England business, determined using an actuarial study of employees to eliminate the pension and OPEB expenses that were not transferred to Spinco. Of the \$10 million adjustment for the three months ended June 30, 2007, \$8 million was included in cost of services and sales and \$2 million was included in selling, general and administrative expenses.
- (E) This adjustment reflects the removal of allocated interest expense of \$18 million recorded by the Northern New England business during the three month period ended June 30, 2007 associated with affiliate notes payable and long-term debts held by Verizon.
- (F) This adjustment reflects the amortization of the finite-lived identifiable intangible assets recorded in this transaction. The weighted average estimated life of FairPoint's customer relationships is estimated to be 9.7 years and amortization expense is \$4 million for the three months ended June 30, 2007.
- (G) This adjustment to other non-operating income includes the \$2 million elimination of FairPoint's equity in net earnings of investors in the Orange County — Poughkeepsie Limited Partnership and the associated gain on the sale of the investment. In April 2007, FairPoint sold this investment to Verizon Wireless and another third party for \$55 million.
- (H) This adjusts reported interest expense to the pro forma interest expense to be recognized on the debt structure of the combined company following the spin-off and merger. The adjustment considers (1) the interest expense for the three months ended June 30, 2007 recognized on the newly issued debt of the combined company, (2) the amortization of capitalized debt issuance costs associated with the newly issued debt, and (3) the elimination of interest expense and amortization of debt issuance costs related to the debt of Legacy FairPoint that was repaid upon consummation of the merger.
- (I) This adjustment is to separate certain merger related costs incurred by Legacy FairPoint prior to the merger. These costs consist of various transition and transaction related costs required to close the merger, hire new employees and begin the transition process.
- (J) This adjustment is to eliminate the merger related costs discussed in (I) above of \$8 million incurred by Legacy FairPoint prior to the consummation of the merger during the three months ended June 30, 2007 which were directly related to the merger and related transactions.
- (K) This adjustment consists of fees and charges incurred in connection with the closing of the spin-off and merger, principally including investment banking fees, write-off of debt issuance costs on Legacy FairPoint's old credit facility and other costs incurred at the closing of the merger.
- (L) This adjustment reflects the income tax impact on adjustments described above.