



Rating Action: FairPoint Communications, Inc.

Moody's downgrades FairPoint's CFR to Caa2; Outlook is negative

New York, June 29, 2009 -- Moody's Investors Service downgraded FairPoint Communications, Inc.'s ("FairPoint" or "the company") corporate family rating ("CFR") to Caa2 from B3 following the company's announcement that it had commenced a tender offer to exchange its 13-1/8% senior unsecured notes, due 2018, for new notes, which will be substantially identical to the old notes, with the only differences being the company's ability to utilize a PIK toggle option on the notes, and extending the maturity by one day until April 2, 2018. Ratings for the company's secured and unsecured debt were also lowered, as outlined below. The rating actions conclude the review for downgrade initiated by Moody's on March 17, 2009. The downgrade of the CFR is based on Moody's expectation of a high default probability and a lower, though still above-average estimated recovery rate across all debt instruments. FairPoint's probability of default rating (PDR) is Caa3, reflecting the still high risk of further default within its capital structure. The rating outlook is negative.

The tender offer is conditional on 95% of the holders accepting the exchange, which expires on July 22, 2009, with the net effect being a reduction of the company's cash interest expense in the second and third quarters of 2009 to help it stay in compliance with the interest coverage covenant for those two quarters. FairPoint also warned in its filings that, absent the exchange, it may not be able to make the scheduled October 1, 2009 interest payment on the notes. These key features and the targeting of the pending covenant defaults cause the transaction to be viewed as analogous to a partial restructuring and a deemed limited default by Moody's.

The Caa3 PDR will prevail during the tender offer process. If the tender closes, the PDR will be repositioned to Caa3/LD to reflect conclusion of the limited default that will have then occurred. The "/LD" suffix will be removed after three business days. If the tender does not close, the "/LD" designation will not be placed on the PDR. However, the ratings and the negative outlook reflect Moody's belief that further restructuring of the balance sheet is inevitable, as the company's current capital structure is unsustainable based on the probable EBITDA and cash flow that the company will generate from its operations in relation to its debt structure over the forward rating horizon.

The following summarizes the rating actions taken by Moody's today:

Downgrades:

..Issuer: FairPoint Communications, Inc.

....Corporate Family Rating, Downgraded to Caa2 from B3

....Senior Secured Bank Credit Facility, Downgraded to Caa1 from B2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Ca from Caa3

Outlook: Changed to Negative from Rating Under Review

Moody's believes that the ongoing issues with rectifying systems transition concerns will further delay the company's revenue enhancement initiatives, which will increase the company's adjusted Debt/EBITDA leverage in the near term. Although the company may have the capacity to generate over \$200 million in free cash flow after 2009, near term free cash flow generation continues to be strained by the systems remediation efforts and the lack of near-term visibility of the company's ability to accurately bill and collect its revenues.

The principal methodology used in rating FairPoint was Moody's Global Telecommunications Industry rating methodology, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory (December 2007, document #106465).

Moody's most recent rating action for FairPoint was on May 6, 2009. At that time, Moody's downgraded FairPoint's corporate family rating ("CFR") to B3 from B1 and its probability of default rating ("PDR") to Caa3 from B1, and maintained a review for possible further downgrade reflecting the heightened risk of debt impairment within its capital structure.

Fairpoint, headquartered in Charlotte, NC, is the eight largest wireline telecommunications company in the US, serving about 1.4 million access lines in primarily rural areas and small- and medium-sized cities.

New York
Alexandra S. Parker
Managing Director
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Gerald Granovsky
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S (MIS) CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."