

**Strengthening Communities  
through Communications.**

*FairPoint Communications has a proven record of growth since our first acquisition in 1993. We focus on small and mid-size, privately and publicly owned local exchange carriers, as well as properties sold by the regional Bell operating companies.*

**FairPoint  
Communications, Inc.**

521 East Morehead Street  
Suite 250  
Charlotte, NC 28202  
Phone 704 344 8150  
www.fairpoint.com

**History**

Headquartered in Charlotte, North Carolina, FairPoint Communications, Inc. is a leading provider of communications services to rural and small urban communities. Since our first acquisition in 1993, our focus has been, first and foremost, to serve the unique needs of our customers.

**Financials**

- FairPoint is publicly traded on the NYSE under the ticker "FRP."
- FairPoint's consolidated revenues for the year ending December 31, 2006 were \$270.1 million.

**Employees**

- FairPoint has approximately 900 employees.

**Access Line Equivalents**

- FairPoint is currently reporting a total of 311,150 (as of December 31, 2006) access line equivalents (voice access lines and HSD subscribers, which includes DSL, cable modem and wireless broadband).

**Products and Services**

- Local
- Long Distance
- Data
- Internet
- Broadband
- Video
- Business Communications Solutions

**Locations**

- FairPoint is headquartered in Charlotte, NC.
- FairPoint owns and operates 31 local exchange carriers in 18 states.

Alabama	Illinois	New Hampshire	Vermont
Colorado	Kansas	New York	Virginia
Florida	Maine	Ohio	Washington
Georgia	Massachusetts	Oklahoma	
Idaho	Missouri	Pennsylvania	

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## **About FairPoint**

Incorporated in 1991, FairPoint's mission is to acquire and operate communications companies that set the standard of excellence for the delivery of service to rural and small urban communities. Today, FairPoint owns and operates 31 local exchange companies located in 18 states offering an array of services, including local and long distance voice, data, Internet and broadband offerings.

## **Transaction Facts**

- FairPoint Communications, Inc. (NYSE: FRP) has entered into a definitive agreement to merge with a subsidiary of Verizon Communications, Inc. owning the wireline operations of Verizon in Maine, New Hampshire and Vermont.
- FairPoint will issue approximately 53.8 million shares of its common stock to be distributed in a tax-free Reverse Morris Trust transaction to the shareholders of Verizon. FairPoint's shareholders will own approximately 40% of the combined company, while Verizon's shareholders will own approximately 60%.
- The total transaction value for these Verizon operations is \$2.715 billion, including the assumption of \$1.7 billion of debt by FairPoint. FairPoint has financing commitments in place for what it anticipates to be a substantial portion of this debt.
- The Merger is expected to close by the end of January 2008 after the receipt of the required state and federal regulatory approvals.
- The combined company will serve approximately 1.6 million access lines and
  - 247,000 high-speed data subscribers,
  - 600,000 long distance customers,
  - and will provision 150,000 wholesale lines (as of December 31, 2006).
- As of December 31, 2006, FairPoint served 252,000 access lines, with 64,000 access lines currently located in Maine, New Hampshire and Vermont.

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## **Customer Impact**

The merger is expected to create a range of benefits for customers. FairPoint plans to:

- Significantly expand broadband availability.
- Increase local operational presence and create new local service centers to deliver industry-leading customer service.
- Enable delivery of a broader range of communications products and services.

## **Employee Impact**

FairPoint is committed to a New England-based management presence focused on dedicating the necessary financial resources to benefit local communities.

## **FairPoint will:**

- Maintain union jobs and work with the union in a collaborative fashion to continue existing collective bargaining agreements.
- Assume pension and other post employment benefit obligations for all active, continuing employees.
  - Pension obligations will be fully funded as of the closing of the merger.
  - Retired Verizon company employees from the region will continue to receive their benefits pursuant to the Verizon plans.
- Add 600 new positions within the three-state area to support administrative and technical service functions.

**Eugene B. Johnson***Chairman & Chief Executive Officer*

Gene Johnson co-founded the company and has been Chief Executive Officer since January 2002, adding the Chairman's position in January 2003. Before that, Mr. Johnson led FairPoint's corporate development efforts as Executive Vice President. A former Captain in the U.S. Army, he started his career as a CPA. He owned a cable television construction company and later became head of the M&A group of Cable Investments, Inc. He also served as President and principal shareholder of JC&A, Inc., an investment banking and brokerage firm providing services to the cable TV, telephone and related industries. Today Mr. Johnson serves on the Board of Trustees for the University of North Carolina at Charlotte and is a regular supporter of local civic activities.

**Peter G. Nixon***Chief Operating Officer*

Mr. Nixon has been responsible for overseeing FairPoint's operations since November 2002. He began his career in 1978 when he joined Chautauqua and Erie Telephone Corporation. When FairPoint acquired C&E in July 1997, Mr. Nixon was named President of C&E. Since 1999, he has served in positions of increasing responsibility, including President of FairPoint's Eastern Region, President of the Telecom Group and Senior Vice President – Corporate Development, where he was responsible for acquisitions and new revenue opportunities.

**Walter E. Leach, Jr.***Executive Vice President,  
Corporate Development*

Walter Leach joined FairPoint in October 1994 as Chief Financial Officer, adding the title of Senior Vice President in 1998. In July 2004 Mr. Leach was promoted to Executive Vice President and in June 2005, accepted the position of Executive Vice President, Corporate Development. In his new position Walter will be responsible for all the merger and acquisition activity for the corporation. Prior to joining FairPoint, Mr. Leach spent 10 years at Independent Hydro Developers as Executive Vice President, responsible for project acquisition, financing and development activities. From 1980 to 1984, he was Vice President, Investor Relations, for The Pillsbury Company and served as Treasurer, Assistant Treasurer, and Controller for Burger King Corporation.

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**John Crowley***Executive Vice President,  
Chief Financial Officer*

John Crowley is responsible for FairPoint's financial reporting and control, investor relations, treasury and risk management. Mr. Crowley joined FairPoint in May 2005 after independent investment banking for telecommunications clients in Europe and the United States, including FairPoint. In June 2005, Mr. Crowley accepted the position of Executive Vice President and Chief Financial Officer. He was previously a Managing Director of BT/Alex Brown in London. Mr. Crowley is a graduate of St. Lawrence University and holds an MBA from the Wharton School at the University of Pennsylvania.

**Shirley J. Linn***Executive Vice President,  
General Counsel & Secretary*

Shirley Linn is responsible for managing FairPoint's legal matters, including contracts, securities law compliance, employment issues and acquisitions. She joined FairPoint in October 2000. Prior to 2000, Ms. Linn had been a partner with the Charlotte law firm of Underwood Kinsey Warren & Tucker, P.A., where she specialized in general business matters, particularly mergers and acquisitions, after beginning her legal career in New York City. As outside counsel, she represented FairPoint in 10 of its telephone company acquisitions.

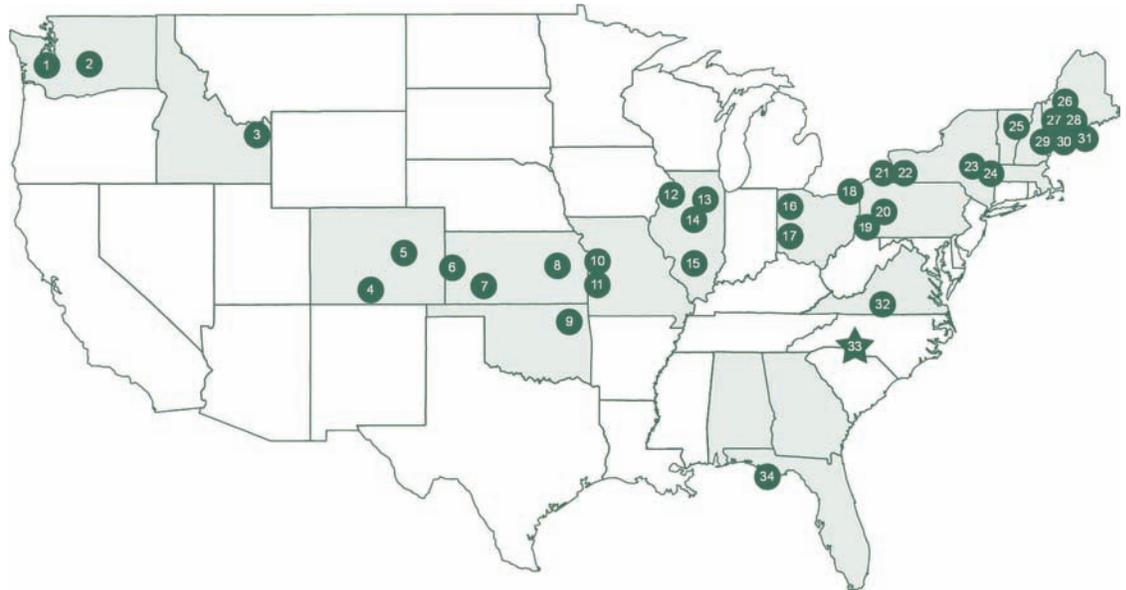
**Lisa R. Hood***Chief Operating Officer - Telecom Group*

Lisa Hood was appointed FairPoint's Chief Operating Officer - Telecom Group in April 2007. Since 2004 Ms. Hood has held the position of Senior Vice President and Controller. From December 1993 to July 2004 served as Controller and Vice President for FairPoint. Prior to joining FairPoint, Ms. Hood served as manager of a local public accounting firm in Kansas and is a Certified

Public Accountant in Kansas.

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- |   |   |   |  |
|---|---|---|--|
| 1. <b>Yelm, Washington</b><br>(YCom Networks, Inc.)<br>Acquired July 2000                       | 8. <b>Americus, Kansas</b><br>(Bluestem Telephone Company)<br>Acquired August 1996                  | 17. <b>Germantown, Ohio</b><br>(The Germantown Independent Telephone Company)<br>Acquired November 2006       | <b>Maine, Vermont and New Hampshire</b>  |
| 2. <b>Ellensburg, Washington</b><br>(Ellensburg Telephone Company)<br>Acquired April 1998       | 9. <b>Chouteau, Oklahoma</b><br>(Chouteau Telephone Company)<br>Acquired June 1998                  | 18. <b>Orwell, Ohio</b><br>(The Orwell Telephone Company)<br>Acquired December 1999                           | 25. (FairPoint Vermont, Inc.)<br>Acquired August 1994                                    |
| 3. <b>St. Anthony / Idaho Falls, Idaho</b><br>(Fremont Telecom Co.)<br>Acquired June 2000       | 10. <b>Kearney, Missouri</b><br>(Unite Communications Systems, Inc.)<br>Acquired August 2006        | 19. <b>Bentleyville, Pennsylvania</b><br>(Bentleyville Communications Corporation)<br>Acquired September 2005 | 26. (Sidney Telephone Company)<br>Acquired January 1996                                  |
| 4. <b>Crestone / Mosca, Colorado</b><br>(Columbine Telecom Company)<br>Acquired April 1997      | 11. <b>Peculiar, Missouri</b><br>(FairPoint Communications Missouri, Inc.)<br>Acquired July 2006    | 20. <b>Marianna, Pennsylvania</b><br>(Marianna and Scenery Hill Telephone Company)<br>Acquired September 2001 | 27. (Northland Telephone Company of Maine, Inc.)<br>Acquired August 1994                 |
| 5. <b>Simla, Colorado</b><br>(Big Sandy Telecom, Inc.)<br>Acquired June 1996                    | 12. <b>Yates City, Illinois</b><br>(Yates City Telephone Company)<br>Acquired September 1999        | 21. <b>Westfield, New York</b><br>(Chautauqua and Erie Telephone Corporation)<br>Acquired July 1997           | 28. (Community Service Telephone Co.)<br>Acquired December 2003                          |
| 6. <b>Tribune / Leoti, Kansas</b><br>(Sunflower Telephone Company, Inc.)<br>Acquired May 1993   | 13. <b>Cornell / Ransom, Illinois</b><br>(C-R Communications, Inc.)<br>Acquired October 1997        | 22. <b>FairPoint Carrier Services, Inc.</b>   | 29. (Standish Telephone Company)   |
| 7. <b>Dodge City, Kansas</b><br>(ST Enterprises, Ltd. Corporate Accounting and IS/IT Functions) | 14. <b>El Paso, Illinois</b><br>(The El Paso Telephone Company)<br>Acquired February 1999           | 23. <b>Kinderhook, New York</b><br>(Berkshire Telephone Corporation)<br>Acquired May 2005                     | 30. (Maine Telephone Company)  |
|   | 15. <b>Odin, Illinois</b><br>(Odin Telephone Exchange, Inc.)<br>Acquired August 1996                | 24. <b>Chatham, New York</b><br>(Taconic Telephone Corp.)<br>Acquired March 1998                              | 31. (China Telephone Company)<br>Acquired November 1998                                  |
|   | 16. <b>Columbus Grove, Ohio</b><br>(The Columbus Grove Telephone Company)<br>Acquired February 1999 |   | 32. <b>Gretna, Virginia</b><br>(Peoples Mutual Telephone Company)<br>Acquired April 2000 |
|   |   |   | 33. <b>FairPoint Communications, Inc.</b><br>Corporate Headquarters                      |
|   |   |   | 34. <b>Port St. Joe, Florida</b><br>(GTC, Inc.)<br>Acquired April 2000                   |

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**1. Jobs and employees are important to FairPoint: So are the Unions**

- All existing union and non-union employees will continue with the business after the transaction closes.
- FairPoint will honor the union contracts. We will continue the same compensation, benefits and pension plan.
- FairPoint intends to work collaboratively with the unions on new collective bargaining agreements when they are due to be negotiated in 2008.
- Pension plan comes fully funded from Verizon.

**2. FairPoint will need 600 more employees**

- 600 new jobs will be brought to the three-state region by FairPoint.
- Back office functions such as accounting and administration currently performed by Verizon outside of region will be moved into the three states.
- The 600 new jobs are expected to be spread over all three states.
- New facilities will include an Administration Center, Network Operations Center and IS/IT Center.

**3. Northern New England needs Broadband: FairPoint will provide it**

- Over 12 months following the merger, FairPoint will substantially increase broadband.
- 92% of FairPoint's current customers in the region have access to FairPoint broadband.
- 62% of Verizon's current customers in region have access to a Verizon broadband product.
- FairPoint will use combination of fiber and DSL technology to expand service.
- Technology will accommodate high speeds and video products.

**4. FairPoint will work to keep customers happy**

- Customers will receive a more localized service with more options on bundles and pricing.
- Wholesale customers (CATV and CLECs) will continue to receive similar services at similar prices.
- The price of DSL service will not increase for current Verizon customers as a result of the merger.
- FairPoint will honor all customer contracts currently in place.

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## **FairPoint Communications will offer a new perspective; new service; expanded broadband**

By Gene Johnson, CEO  
FairPoint Communications

How will FairPoint Communications meet the challenge of becoming the new local phone company in Maine, New Hampshire and Vermont?

We have begun by meeting with local leaders to discuss the implications for customers, communities and Verizon employees of our purchase of Verizon's wireline business in the region. We are also carefully listening so we might understand the needs of customers and what infrastructure investments need to be made to ensure the region can compete effectively in the information age. We are planning to make significant investments in infrastructure to bring broadband Internet access to individuals and businesses in rural areas where high-speed Internet is currently unavailable.

We are counting on the skills and experience of every current Verizon employee to help us in this effort, and to ensure a successful transition that benefits every Verizon customer. We also expect to establish three new service centers, which will create hundreds of new jobs in the region so we can better respond to the needs of our customers.

FairPoint Communications has been operating small urban and rural telephone companies across America since the company was founded in 1991. We know how important reliable state-of-the-art communications are to our customers and we know we strengthen communities through communications. As a founder of the company, I have been personally involved with purchasing and subsequently operating more than 30 telecommunications companies in eighteen states.

FairPoint is focused on wirelines, not the wireless service that some telecommunications companies are aggressively pursuing. Wireless technology is important, but we believe the lines that run to homes and businesses - from Fort Kent to Fryeburg, Maine; Berlin to Keene, New Hampshire; Burlington to Rutland, Vermont - remain essential to our overall communications infrastructure. Despite the proliferation of wireless phones and handheld communications devices, most people continue to use a traditional phone line at home, and connect to the Internet through a wired portal and, in fact, nearly all wireless calls transit the wireline network.

Soon, our customers will include the individuals, homeowners, business owners and municipalities throughout Maine, New Hampshire and Vermont that rely on our landlines for reliable access to information and connectivity day-in and day-out. The people of New England expect excellent personal service, and we are prepared to deliver. We're anxious to bring the benefits of broadband Internet to the people in New Hampshire, Vermont and Maine who do not yet enjoy it. FairPoint is an industry leader in providing access to broadband; more than 92% of our existing customers in New England have access to high speed Internet and we intend to increase broadband access throughout the Verizon service area once the merger is complete.

We are well positioned to achieve these goals. To do so, we will draw upon the talents and experience of every existing Verizon employee, and we will be hiring an additional 600 people throughout the region. We know that satisfied customers fuel our business, and, furthermore, that satisfied employees lead to satisfied customers. We will offer the Verizon employees an excellent compensation package comparable to the one with which they are now accustomed. This means: good jobs, fair pay, comprehensive benefits and a pension plan that comes fully funded from Verizon. We'll honor all the existing bargaining agreements and work collaboratively when collective bargaining agreements are due to be renewed in 2008.

FairPoint will be financially strong upon completion of this transaction with revenues of approximately \$1.5 billion. The transaction will result in a strong balance sheet, a likely credit rating upgrade and significant financial flexibility for ongoing capital investment, introduction of innovative services, and potential future growth.

This transaction will be good for all involved - customers, employees, shareholders and the economic development of the entire region. We at FairPoint look forward to expanding our presence in the region and to a long and successful partnership with the people of Maine, New Hampshire and Vermont. We are excited about being your communications provider and will work hard every day to build your trust and provide you with the latest in communications services. We build communities through communications and we take that responsibility very seriously.

FairPoint Communications' corporate headquarters is in my hometown of Charlotte, North Carolina, where a man's word is his bond. We intend to live up to our promises as our company grows in New England and this region becomes the center of our business. You have my word on that!

# ***NEWS RELEASE***



**FOR IMMEDIATE RELEASE**  
**January 16, 2007**

**Media contacts:**  
Contacts listed at end of release

## **Verizon and FairPoint Agree to Merge Verizon's Wireline Businesses in Maine, New Hampshire and Vermont With Current Operations of FairPoint**

*-- Verizon to Spin Off These Wireline Businesses Prior to Merger --*

*FairPoint to Add Jobs, Provide Seamless Transition for Current Employees and  
Invest in Increased Broadband Access for Consumers in Northern New England*

**NEW YORK** – Verizon Communications Inc. (NYSE: VZ) and FairPoint Communications, Inc. (NYSE: FRP) today announced definitive agreements that will result in Verizon establishing a separate entity for its local exchange and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity to Verizon's stockholders, and merging it with and into FairPoint.

FairPoint, based in Charlotte, N.C., is a telecommunications provider with 31 local exchange companies in 18 states, serving the unique needs of customers in rural and small urban

markets. FairPoint provides an array of services, including local and long-distance voice, data, Internet and broadband.

Verizon's Maine, New Hampshire and Vermont properties serve approximately 1.5 million access lines, approximately 180,000 DSL customers and approximately 600,000 long-distance customers (as of Sept. 30, 2006).

"We believe this transaction will create an opportunity for further investment in Maine, New Hampshire and Vermont, strengthen the region's economy by creating jobs and improve service to customers through capital investment," said Gene Johnson, chairman and CEO of FairPoint. "At the same time, we have accelerated FairPoint's growth through a single transaction, creating a much larger company with increased financial strength and flexibility that will continue to focus on maximizing value for investors."

Virginia Ruesterholz, president of Verizon Telecom, said, "This deal is great for consumers. They can count on continued top service from the new company that will have a focus on northern New England. The transaction also ensures the fair and equitable treatment of employees in these New England states, who have performed outstanding work for our customers for many years.

"In our view," Ruesterholz added, "this agreement provides a fair value for this property and allows Verizon to focus more intently on operations in other markets. It shows how Verizon continually looks for creative and attractive ways to add value for our shareholders."

### **Increased Employment and Broadband Availability**

Approximately 3,000 Verizon company employees -- those who support primarily the local phone business that is spun off -- will continue employment with FairPoint after the merger. Approximately 300 Verizon company employees in Maine, New Hampshire and

Vermont who provide national or regional support services will remain with the Verizon company that currently employs them.

FairPoint and Verizon will provide a smooth transition for employees. FairPoint will honor the union labor agreements in these states and expects to work constructively with union leaders. Subsequent to the merger, FairPoint expects to add approximately 600 positions to the current employee base serving the three states. FairPoint will also strengthen the local operational presence and create new local service centers to deliver industry-leading customer service.

Additionally, FairPoint plans to significantly increase broadband availability in the region within the first 12 months after the merger is completed.

“Our goal at FairPoint is to respond to customers, and we will have sufficient scale to continue to offer enhanced services on a robust network platform,” said Johnson. “That means we can deliver a broader range of communications products and services.”

The transaction is targeted to be completed within the next 12 months. It requires approval from FairPoint stockholders, certain state and federal regulatory approvals, and satisfaction of other customary closing conditions.

### **Transaction Details, Tax-Free Distribution**

Verizon’s local exchange and related business assets in Maine, New Hampshire and Vermont will be transferred to entities owned by a newly organized, wholly owned subsidiary of Verizon. This new subsidiary will incur \$1.7 billion of newly issued debt and will then be spun off to Verizon’s stockholders and immediately merged with and into FairPoint.

When the merger is completed, the companies conducting the Maine, New Hampshire and Vermont telephone and related business operations will be subsidiaries of FairPoint. The combined business will be managed by FairPoint's executive team.

Upon the closing of the transaction, Verizon stockholders will own approximately 60 percent of the new company, and FairPoint stockholders will own approximately 40 percent. In connection with the merger, Verizon stockholders will receive one share of FairPoint stock for approximately every 55 shares of Verizon stock held as of the record date. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon stockholders in lieu of fractional shares.

Verizon Communications will not own any shares in FairPoint after the merger.

The total value to be received by Verizon and its stockholders in exchange for these operations will be approximately \$2.715 billion. Verizon stockholders will receive approximately \$1.015 billion of FairPoint common stock in the merger, based upon FairPoint's recent stock price and the terms of the merger agreement. Verizon will receive \$1.7 billion in value through a combination of cash distributions to Verizon and debt securities issued to Verizon prior to the spin-off. Verizon may exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon's then-outstanding debt on its balance sheet.

The transaction includes Verizon's switched and special access lines in the three states, as well as its Internet service, enterprise voice CPE (customer premises equipment) accounts, and long-distance voice and private line customer accounts (for customer private lines with beginning and ending points within the three states) that Verizon served in the region before the 2006 merger with MCI, Inc. The transaction does not include the services, offerings or assets of

Verizon Wireless, Verizon Business (former MCI), Federal Network Systems LLC, Verizon Network Integration Corp., Verizon Global Networks Inc., Verizon Federal Inc. or any other Verizon businesses in these states.

FairPoint expects that the transaction will be accretive to the free cash flow of FairPoint upon completion of the transition, and it expects that its current annual dividend of \$1.59 per share will continue unchanged following the closing. All owners of FairPoint shares on dividend record dates after the merger is completed, including Verizon stockholders who will have received FairPoint shares in this transaction, will be eligible to receive declared dividends.

FairPoint's management anticipates that the merged company will be able to generate improved operational performance through management focus, local/regional marketing and customer service initiatives, and future development of innovative technology and processes.

### **'Building on Verizon's Operating Strength'**

"FairPoint is a leading provider of communications services to rural communities. Its commitment to quality customer service was a key factor in our decision to enter into this transaction with FairPoint," Verizon's Ruesterholz said. "We know that FairPoint has a deep understanding of the local phone business and a determination to build on Verizon's operating strength in this region."

FairPoint's Johnson said, "This is a value-creating event for multiple parties. Customers, employees and shareholders will all benefit from the transaction.

"We are prepared to make additional investments in the state networks to maintain and improve the highly reliable, state-of-the-art networks in the three states," he continued. "We are confident that our experience as a major operator will enable us to provide outstanding service and innovative products for our new customers. FairPoint's established expertise in operating

telephone properties in rural areas will now be leveraged in the new Maine, New Hampshire and Vermont markets.”

A Verizon transition team will work with FairPoint in the coming months to ensure customer accounts, billing information, and other assets from the operations are successfully transferred to FairPoint and that the transition is seamless for customers and employees.

Verizon was advised in the transaction by Merrill Lynch & Co. Lehman Brothers acted as FairPoint’s lead financial advisor in this transaction. Deutsche Bank Securities and Morgan Stanley also acted as advisers to FairPoint.

### ***About Verizon***

Verizon Communications Inc. (NYSE: VZ), a New York-based Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 57 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly-owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. For more information, visit [www.verizon.com](http://www.verizon.com).

VERIZON’S ONLINE NEWS CENTER: Verizon news releases, executive speeches and biographies, media contacts, high quality video and images, and other information are available at Verizon’s News Center on the World Wide Web at [www.verizon.com/news](http://www.verizon.com/news). To receive news releases by e-mail, visit the News Center and register for customized automatic delivery of Verizon news releases.

### ***About FairPoint***

FairPoint is a leading provider of communications services to rural communities across the country. Incorporated in 1991, FairPoint’s mission is to acquire and operate telecommunications companies that set the standard of excellence for the delivery of service to rural communities. Today, FairPoint owns and operates 31 local exchange companies located in 18 states offering an array of services, including local and long distance voice, data, Internet and broadband offerings.

*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 related to potential cost savings and synergies expected to be realized in the merger. 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, including, without limitation, the risks described in FairPoint’s most recent Annual Report on Form 10-K on file with the Securities and Exchange*

*Commission. 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. Source: FairPoint Communications, Inc., [www.fairpoint.com](http://www.fairpoint.com).*

FairPoint intends to file a registration statement, including a proxy statement, and other materials with the Securities and Exchange Commission ("SEC") in connection with the proposed merger. We urge investors to read these documents when they become available because they will contain important information. Investors will be able to obtain copies of the registration statement and proxy statement, as well as other filed documents containing information about FairPoint and the merger, at [www.sec.gov](http://www.sec.gov), the SEC's website, or at [www.fairpoint.com/investor](http://www.fairpoint.com/investor), when they are available. Investors may also obtain free copies of these documents and the Company's SEC filings at [www.fairpoint.com](http://www.fairpoint.com) under the Investor Relations section, or by written request to FairPoint Communications, Inc., 521 E. Morehead Street, Suite 250, Charlotte, NC 28202, Attention: Investor Relations.

FairPoint, Verizon, and FairPoint's directors, executive officers, and other employees may be deemed to be participants in the solicitation of proxies from FairPoint stockholders with respect to the proposed transaction. Information about FairPoint's directors and executive officers is available in FairPoint's proxy statement for its 2006 annual meeting of shareholders, dated April 24, 2006. Additional information about the interests of potential participants will be included in the registration statement and proxy statement and other materials to be filed by FairPoint with the SEC.

####

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**FOR IMMEDIATE RELEASE**

**FAIRPOINT TO GROW THROUGH MERGER WITH NEW ENGLAND  
WIRELINE OPERATIONS OF VERIZON COMMUNICATIONS**

*Merger Accelerates FairPoint's Strategy, Improves Free Cash Flow, Reduces Leverage and  
Increases Dividend Stability*

**CHARLOTTE, NC, January 16, 2007** - FairPoint Communications, Inc. (**NYSE: FRP**) announced today that it has agreed to merge with a subsidiary of Verizon Communications Inc. owning the wireline operations of Verizon in Maine, New Hampshire and Vermont. After the merger, FairPoint shareholders will hold a significant stake in a combined company with enhanced scale in terms of lines, revenues and cash flow. Based on the number of access lines as of September 30, 2006, the combined company will be the 8th largest telephone company in the United States.

The combined company will serve approximately 1.6 million access lines, 234,000 high-speed data subscribers and 600,000 long distance customers, and will provision 160,000 wholesale lines (as of September 30, 2006). The transaction is a major strategic step forward in generating value for shareholders as FairPoint accelerates its strategy. This transaction is meaningfully accretive to free cash flow after the transition is complete. In addition, the transaction allows FairPoint to reduce leverage and increase the stability of its dividend. The company expects that its dividend will be maintained at \$1.59 per share annually<sup>1</sup>, with its dividend payout ratio declining to 60%-70% (after achievement of expected cost-savings).

The transaction combines Verizon's personnel and local exchange and related business assets from Maine, New Hampshire and Vermont with the focus and specialized expertise of FairPoint. As of September 30, 2006, FairPoint served 252,000 access lines through its 31 local exchange companies in 18 states, with 64,000 access lines currently located in Maine, New Hampshire and Vermont. The company has demonstrated its ability to provide high-quality operations dedicated to the unique needs of rural and smaller urban areas, offering an array of services, including local and long distance voice, data, Internet and broadband offerings. This business combination will allow FairPoint to apply its operating experience and expertise on a significantly larger scale.

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<sup>1</sup> Subject to declaration by the board of directors and compliance with Delaware law and covenants in agreements governing indebtedness.

In addition to the benefits to its cash flows after the transition and to the company's balance sheet, FairPoint believes this merger will result in significant value creation opportunities through improved revenue opportunities and enhanced operational efficiencies.

"This is an important day that further validates our strategic vision and provides greater certainty for the future of our company. We believe that this combination remarkably accelerates our existing plan to ensure favorable returns for FairPoint shareholders, while continuing to emphasize high-quality service for our customers and a rewarding work environment for our employees," said Gene Johnson, Chairman and CEO of FairPoint. "The ability to integrate and serve these northern New England operations will establish FairPoint as one of the preeminent telecommunications operators in the region. We are confident that our experience as a national operator will enable us to provide high levels of service and innovative new products."

### **Transaction Overview**

Under the terms of the merger agreement, FairPoint will issue approximately 53.8 million shares of its common stock to be distributed in a tax-free Reverse Morris Trust transaction to the shareholders of Verizon. FairPoint will also assume approximately \$1.7 billion of debt. FairPoint has financing commitments in place for what it anticipates to be a substantial portion of this debt. The total transaction value for these Verizon operations is approximately \$2.715 billion.

FairPoint's shareholders will own approximately 40% of the combined company, while Verizon's shareholders will own approximately 60%. FairPoint shareholders are gaining a significant stake in a combined total company with enhanced scale in terms of lines, revenues and cash flow, and generating new value through the FairPoint dividend for the Verizon shareholders.

Ongoing management will be provided by the experienced FairPoint executive team. Pursuant to the merger agreement, three existing directors from FairPoint will maintain their positions on the combined company's Board of Directors, and Verizon will nominate six directors who are expected to be independent of Verizon.

FairPoint also announced that Kent R. Weldon and Frank K. Bynum Jr. resigned their board positions after 7 and 9 years of service, respectively, effective as of today. Mr. Weldon's and Mr. Bynum's resignations assist FairPoint in fulfilling the merger agreement requirement to elect six directors to be nominated by Verizon.

The transaction is targeted to close within twelve months and after the requisite state and federal regulatory approvals. The transition period will allow FairPoint to scale and enhance support systems in cooperation with Verizon.

For the year ended December 31, 2005, the operations of Verizon's Maine, New Hampshire and Vermont properties to be merged with FairPoint generated approximately \$1.2 billion in revenue and \$431 million in EBITDA<sup>2</sup>. FairPoint expects to generate \$60 to \$75 million in annual cost savings for the combined operations after the acquired operations are fully integrated, which is anticipated to occur approximately 12 months after closing. In addition,

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<sup>2</sup> Earnings before interest, taxes and depreciation. 2005 unadjusted EBITDA was \$393 million but included certain expenses that were not included in the merger.

FairPoint plans to invest approximately \$200 million (including \$95 to \$110 million before closing) to accelerate the transition.

### **Operational Synergies**

Mr. Johnson continued, "The larger platform resulting from this transaction will allow us to derive even greater efficiencies and returns from our operating model. The geographic fit is complementary to FairPoint's largest current operating region and our improved capital structure and enhanced cash flows are expected to permit us to pay dividends at the current level, introduce new products and strengthen the company's network platform."

Following the transaction, FairPoint's access line density will be approximately 36 access lines per square mile, an increase versus the company's 13 access lines per square mile prior to the merger. However, the density continues to compare favorably with other rural operators. At the same time, FairPoint believes it is improving the quality of its revenues, as the new company will be significantly less reliant on access and universal service fund revenues, which today account for 50% of total revenue and are expected to account for 25% of the total combined revenue after closing.

The company's increased scale is expected to result in operating efficiencies of \$60 to \$75 million based on reduced expenses for network monitoring, customer care and back office support. In addition, FairPoint intends to invest in Verizon's existing telephone plant and facilities to expand and significantly improve the availability of high-speed data and other services.

### **Financial Information**

The transaction is expected to be free cash flow accretive when the transition is complete. As noted above, FairPoint expects that its current annual dividend of \$1.59 per share will continue unchanged following the closing.

The combined company will have significantly stronger capital structure with a leverage ratio of approximately 4.1 times EBITDA at closing and a dividend payout ratio of 60% to 70%, upon achievement of expected cost savings and synergies, compared with FairPoint's ratios today of 4.5 times and 86%, respectively.

In addition to investments in network upgrades to increase high-speed data addressability, it is anticipated that the combined company will spend approximately \$100 per access line in capital per year in the three states. This level of investment should help generate additional revenues, strengthen the company's competitive position, and improve the level of services available to customers.

Prior to the closing of the merger, FairPoint expects to invest approximately \$95 to \$110 million in transition costs in connection with the transaction. Verizon will pay for up to \$40 million of these pre-closing transition costs. The remaining \$55 million are expected to be offset by the cash proceeds from the sale for \$55 million of the Company's Orange County Poughkeepsie investment to Verizon Wireless as part of a separate transaction. Significant items include expenditures related to network operations centers, billing systems and other information technology functions. These initial outlays will help to reduce the costs and integration time subsequent to the merger and are expected to allow FairPoint to offer expanded services and upgrades immediately after closing.

A significant portion of the amount FairPoint expects to spend on pre-closing transition costs will be spent on assets and services which will not be useful in FairPoint's existing business. In addition, these expenditures will reduce FairPoint's Cash Available for Dividends. However, FairPoint expects this reduction to be offset by the proceeds FairPoint expects to receive from the sale of its interest in Orange County Poughkeepsie Limited Partnership.

### **Transition Plans**

FairPoint and Verizon are developing a strategic transition plan to provide a seamless transition for customers that will allow FairPoint to develop a robust, scalable network platform. The companies have entered into a Transition Services Agreement (TSA) under which Verizon will provide support services to the company. This agreement is designed to provide seamless customer service and includes financial incentives for mutual cooperation and early conversion. During the transition, FairPoint and Verizon have defined obligations designed to ensure a smooth and accelerated conversion.

### **Customer Impact**

The merger is expected to create a range of benefits for customers. FairPoint plans to significantly expand DSL and other broadband availability from the current level provided over the Verizon network in the three-state region. The initial expansion will be essentially completed within the first twelve months after the completion of the merger. Additionally, FairPoint will increase local operational presence and create new local service centers to deliver industry-leading customer service. The company's goal is to create a more responsive competitor, with sufficient scale to offer enhanced services on a robust network platform, enabling the delivery of a broader range of communications products and services.

### **Employee Impact**

FairPoint is committed to a New England-based management presence focused on dedicating the necessary financial resources to benefit local communities. FairPoint also is announcing its commitment to maintaining union jobs, working with the union in a collaborative fashion, and continuing to honor the existing collective bargaining agreements. The company expects to work constructively with union leadership in an effort to offer a strong package of new job opportunities for local, skilled employees.

As part of the agreement announced today, approximately 3,000 employees of Verizon will continue their employment with the operations of the local telephone operating companies for Maine, New Hampshire and Vermont that FairPoint will acquire in the merger. Approximately 2,500 of these positions are union represented. Most of the employees are in operations in the Maine, New Hampshire and Vermont territories. The affected employees will not see any changes to compensation or benefits as a result of this transaction and should expect that service by them and for their customers will be transitioned smoothly.

As part of the agreement announced today, FairPoint will assume pension and other post employment benefit obligations for all active, continuing employees of Verizon companies. The pension obligations will be fully funded as of the closing of the merger. Retired Verizon company employees from the region will continue to receive their benefits pursuant to the Verizon plans.

## 2006 Preliminary Results of Operations

For the quarter ended December 31, 2006, FairPoint estimates that revenue will be approximately \$70.1 million and adjusted EBITDA, excluding transaction-related expenses, will be approximately \$33.4 million. FairPoint estimates that expenses related to the transaction will be approximately \$2 million in the fourth quarter of 2006, which should result in a reported adjusted EBITDA of approximately \$31.4 million for the quarter. Interest expense and capital expenditures for the fourth quarter are expected to be \$9.8 million and \$6.6 million, respectively. Adjusted EBITDA for the full year 2006 is expected to be \$131.3 million.

## Outlook

For 2007, FairPoint anticipates revenues of \$263 to \$266 million and adjusted EBITDA, excluding transaction-related items, of \$129 to \$131 million, in-line with 2006. After adjusting for the sale of FairPoint's investment in Orange-County Poughkeepsie Limited Partnership and transaction expenses, adjusted EBITDA is expected to be \$95 to \$97 million. Capital expenditures for 2007 are expected to be approximately \$73 to \$75 million, including \$44 million related to the transaction. FairPoint expects to have in place an arrangement to exclude from Adjusted EBITDA these non-routine expenses and investments to allow payment of the dividend through closing of the merger.

## Pro-Forma Combined Access Line Information

Total access line equivalents	2,022,109
Residential voice access lines	1,176,955
Business voice lines	451,368
Wholesale access lines	59,722
High-speed data subscribers	234,064

(based on access lines as of September 30, 2006)

## Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA and Cash Available for Dividend 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, Adjusted EBITDA and Cash Available for Dividends, please see FairPoint's earnings release for the third quarter ended September 30, 2006.

FairPoint believes EBITDA is useful to investors because EBITDA is commonly used in the telecommunications 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 contain ratios based on Adjusted EBITDA and the restricted payment covenant in FairPoint's credit facility regulating the payment of dividends on its common stock is 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.

FairPoint believes Cash Available for Dividends is useful to investors as a means to evaluate FairPoint's ability to pay dividends on its common stock. However, FairPoint is not required to use such cash to pay dividends and any dividends are subject to declaration by FairPoint's board of directors and compliance with Delaware law and the terms of its credit facility.

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.

### **Conference Call Information**

Management of FairPoint and Verizon will hold a joint media conference call at 10:00 AM today (Tuesday, January 16, 2007) to discuss the transaction in more detail. A telephonic replay will be available for anyone unable to participate in the live call. To access the replay, call 1-877-519-4471 and enter confirmation code 8326253. The recording will be available from January 16, 2007 at 11:00 a.m. through January 17, 2007 at 12:00 a.m. (EST).

Additionally, FairPoint will hold a separate conference call for the investment community today (Tuesday, January 16, 2007) at 8:30 a.m. to provide greater detail on the financial aspects of the transaction. To access the call, please dial 888-823-7459, or 973-935-8751 from outside of the US or Canada. Please reference conference code 8331703.

A telephonic replay will be available for anyone unable to participate in the live call. To access the replay, call 877-519-4471 and enter confirmation code 8331703. The recording will be available from January 16, 2007 at 10:00 a.m. through January 16, 2008 at 10:00 a.m. (EST). A live broadcast of this conference call will be available via the Internet at <http://www.videonewsire.com/event.asp?id=37422>. An online replay will be available beginning at 10:00 a.m. (EST) on January 16, 2007 and remain available for one year. A supplemental presentation for this conference call is available at [www.fairpoint.com](http://www.fairpoint.com) under the Investor Relations heading.

During these conference calls, representatives of FairPoint may discuss and answer one or more questions concerning FairPoint's business and other matters. The responses to these questions, as well as other matters discussed during these conference calls, may contain information which has not been previously disclosed.

## **About FairPoint**

FairPoint is a leading provider of communications services to rural communities across the country. Incorporated in 1991, FairPoint's mission is to acquire and operate telecommunications companies that set the standard of excellence for the delivery of service to rural communities. Today, FairPoint owns and operates 31 local exchange companies located in 18 states offering an array of services, including local and long distance voice, data, Internet and broadband offerings.

FairPoint intends to file a registration statement, including a proxy statement, and other materials with the Securities and Exchange Commission ("SEC") in connection with the proposed merger. We urge investors to read these documents when they become available because they will contain important information. Investors will be able to obtain copies of the registration statement and proxy statement, as well as other filed documents containing information about FairPoint and the merger, at [www.sec.gov](http://www.sec.gov), the SEC's website, or at [www.fairpoint.com/investor](http://www.fairpoint.com/investor), when they are available. Investors may also obtain free copies of these documents and the Company's SEC filings at [www.fairpoint.com](http://www.fairpoint.com) under the Investor Relations section, or by written request to FairPoint Communications, Inc., 521 E. Morehead Street, Suite 250, Charlotte, NC 28202, Attention: Investor Relations.

FairPoint, Verizon, and FairPoint's directors, executive officers, and other employees may be deemed to be participants in the solicitation of proxies from FairPoint stockholders with respect to the proposed transaction. Information about FairPoint's directors and executive officers is available in FairPoint's proxy statement for its 2006 annual meeting of shareholders, dated April 24, 2006. Additional information about the interests of potential participants will be included in the registration statement and proxy statement and other materials to be filed by FairPoint with the SEC.

*This press release may contain forward-looking statements 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 relating to potential cost savings and synergies expected to be realized in the proposed merger with the northeast wireline operations of Verizon Communications Inc. 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, including, without limitation, the risks described in FairPoint's most recent Annual Report on Form 10-K on file with the Securities and Exchange Commission. 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.*

Source: FairPoint Communications, Inc., [www.fairpoint.com](http://www.fairpoint.com).

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