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June 5, 2007

Stock Rating
++

Industry View
In-Line

FairPoint Communications

Lowering 2008 Estimates on New Company Forecasts

Conclusion: FairPoint's newly released standalone forecasts paint a much more negative picture than we and consensus had modeled for 2008 and we are lowering our estimates accordingly. We are concerned that FairPoint's apparent expectation that it will not be able to generate enough cash to pay its current dividend without the proposed merger with Verizon's NH, ME, and VT lines suggests that the company is in a vulnerable position. Scrutiny of telecom deals appears to be intensifying and increases the risk that FairPoint would face pressure to make concessions in order to get a deal approved.

What's New: FairPoint included detailed, long-term forecasts with its amended May 25 S-4 filing with the SEC. These forecasts suggest the company will not generate enough cash to cover its current dividend in 2008, with an increasing deficit in the years that follow. Additionally, there has been Congressional scrutiny of the deal recently regarding the company's broadband plans and the tax-protected structure of the deal.

Implications: If transactions such as Verizon's planned reverse Morris Trust merger with FairPoint become more difficult to accomplish, it would reduce the options available for the Bells as well as the rural telecoms in an era when companies are increasingly turning to non-organic sources of growth in the telecom sector.

Key Ratios and Statistics

Reuters: FRP.N Bloomberg: FRP US
Telecom Services / United States of America

| | |
|--------------------------------|---------------|
| Price target | ++ |
| Shr price, close (Jun 4, 2007) | \$18.00 |
| Mkt cap, curr (mm) | \$624 |
| 52-Week Range | \$21.53-13.12 |

| Fiscal Year (Dec) | 2006 | 2007e | 2008e | 2009e |
|---------------------------------|-------------|-------------|-------------|-------------|
| ModelWare EPS (\$)* | 0.67 | 0.54 | 0.37 | 0.33 |
| Prior ModelWare EPS (\$) | - | 0.43 | 0.41 | 0.37 |
| P/E | 28.4 | 33.2 | 48.4 | 55.0 |
| Consensus EPS (\$) | 0.65 | 0.50 | 0.50 | 0.45 |
| Div yld (%) | 8.4 | 8.8 | 8.8 | 8.8 |

* = Please see explanation of Morgan Stanley ModelWare later in this note.

e = Morgan Stanley Research estimates

++ = Stock Rating, Price Target or Estimates are not available or have been removed due to applicable law and/or Morgan Stanley policy.

Quarterly ModelWare EPS

| Quarter | 2007e | | 2008e | |
|---------|-------|---------------|---------------|-------|
| | 2006 | Prior Current | Prior Current | 2008e |
| Q1 | 0.17 | - 0.13a | - | - |
| Q2 | 0.19 | 0.09 0.13 | - | - |
| Q3 | 0.17 | 0.11 0.14 | - | - |
| Q4 | 0.15 | 0.09 0.14 | - | - |

e = Morgan Stanley Research estimates, a = Actual company reported data

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For analyst certification and other important disclosures, refer to the Disclosure Section.

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FairPoint Communications

Morgan Stanley & Co. Incorporated ("Morgan Stanley") is currently acting as financial advisor to FairPoint Communications, Inc. ("FairPoint") in its announced proposed merger with Verizon Communications Inc.'s New England wireline operations subsidiary. Morgan Stanley is also providing financing services to FairPoint in connection with the proposed transaction. The proposed transaction is subject to ordinary course regulatory approvals and the consent of FairPoint shareholders. This report and the information provided herein is not intended to (i) provide voting advice, (ii) serve as an endorsement of the proposed transaction, or (iii) result in the procurement, withholding or revocation of a proxy or any other action by a security holder. FairPoint has agreed to pay fees to Morgan Stanley for its financial services, including transaction fees and financing fees that are subject to the consummation of the proposed transaction. Please refer to the notes at the end of this report.

Investment Case

Standalone FRP Doesn't Cover Dividend

FairPoint's form S-4/A, dated May 25, 2007, includes company projections that suggest that FairPoint would not generate enough cash to pay its current dividend in the years 2008 through 2015 on a standalone basis. Specifically, the company provides revenue, operating expense, and capital spending forecasts for FairPoint standalone (excluding the impact of the planned reverse Morris Trust merger with Verizon NH, VT, and ME lines). In addition to those forecasts from the company, we assumed interest expense is stable with expected 2Q07 levels and the dividend remains at 2006 levels. Calculating free cash

flow as EBITDA less capex, cash taxes, and interest expense, implies a 19% shortfall in 2008, increasing each year thereafter.

We are cutting our 2008-2012 estimates reflecting the company's forecasts, however our EBITDA margin and capital spending forecasts remain more optimistic than the company's forecasts, suggesting there could be further downside to our estimates if the Verizon NE transaction were terminated. Our estimates do not include the pro forma impact of the deal or related expected synergies.

Exhibit 1

FairPoint Standalone Forecasts

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Local | 69 | 69 | 69 | 69 | 68 | 68 | 68 | 68 |
| % y/y growth | | 0.0% | 0.0% | 0.0% | -1.4% | 0.0% | 0.0% | 0.0% |
| Access | 118 | 111 | 104 | 100 | 95 | 91 | 88 | 85 |
| % y/y growth | | -5.9% | -6.3% | -3.8% | -5.0% | -4.2% | -3.3% | -3.4% |
| LD | 27 | 28 | 29 | 29 | 29 | 29 | 29 | 29 |
| % y/y growth | | 3.7% | 3.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Data/Internet | 40 | 45 | 49 | 50 | 50 | 50 | 50 | 50 |
| % y/y growth | | 12.5% | 8.9% | 2.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Other | 21 | 21 | 21 | 21 | 24 | 25 | 25 | 25 |
| % y/y growth | | 0.0% | 0.0% | 0.0% | 14.3% | 4.2% | 0.0% | 0.0% |
| Total Revenue | 275 | 274 | 272 | 269 | 266 | 263 | 260 | 257 |
| % y/y growth | | -0.4% | -0.7% | -1.1% | -1.1% | -1.1% | -1.1% | -1.2% |
| Opex | 162 | 164 | 167 | 167 | 167 | 168 | 168 | 168 |
| % y/y growth | | 1.2% | 1.8% | 0.0% | 0.0% | 0.6% | 0.0% | 0.0% |
| EBITDA | 113 | 110 | 105 | 102 | 99 | 95 | 92 | 89 |
| % margin | 41.1% | 40.1% | 38.6% | 37.9% | 37.2% | 36.1% | 35.4% | 34.6% |
| Capex | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Cash taxes(1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expense(1) | 39.2 | 39.2 | 39.2 | 39.2 | 39.2 | 39.2 | 39.2 | 39.2 |
| FCF | 44.8 | 41.8 | 36.8 | 33.8 | 30.8 | 26.8 | 23.8 | 20.8 |
| Dividends(1) | 55.2 | 55.2 | 55.2 | 55.2 | 55.2 | 55.2 | 55.2 | 55.2 |
| % Divided shortfall | 19% | 24% | 33% | 39% | 44% | 51% | 57% | 62% |

(1) Note: Morgan Stanley estimates shown for cash taxes, interest expense, and dividend payments
Source: Company data, Morgan Stanley Research

Exhibit 2

Summary of Morgan Stanley Forecasts

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------|-------|-------|-------|-------|-------|------|------|------|
| Revenue | 274 | 271 | 268 | 267 | 264 | NA | NA | NA |
| % y/y growth | | -1.0% | -1.1% | -0.4% | -1.4% | | | |
| EBITDA | 114 | 112 | 111 | 110 | 108 | NA | NA | NA |
| % margin | 41.4% | 41.3% | 41.2% | 41.1% | 41.0% | | | |
| Capex | 29 | 28 | 28 | 28 | 27 | NA | NA | NA |

Source: Company data, Morgan Stanley Research

Cash Flow Expected to Fall Short in 2007

FairPoint management commented on their 1Q07 conference call that they do not expect to generate enough adjusted EBITDA in the remaining quarters of 2007 to cover the dividends paid each quarter though they will be able to pay the dividends from a pool of cumulative cash available for dividends, according to covenants. As CFO John Crowley commented on the 1Q07 earnings call, "I told you last quarter we expected to tap our reserve of Cumulative Cash Available for Dividends in the first half of 2007. In fact we have increased

our Cumulative Cash Available for Dividends slightly in the quarter, but we still expect as we said before to tap in the excess in the second quarter. As of the end of the quarter, we have \$45.5 million of Cumulative Cash Available for Dividends, an increase from the previous from year-end."

Large Deal-Related Costs

FairPoint plans to spend roughly \$200 MM in systems to achieve expected deal synergies. Of the transition spending total, FairPoint expects to spend \$95-110 MM prior to the deal

close, up to \$40 MM of which will be paid by Verizon. In addition, FairPoint has sold its equity stake in the Orange-Poughkeepsie business to Verizon Wireless, raising \$55 MM.

While the company expects to recoup these costs through synergies if the transaction is completed, FairPoint could face more than \$55 MM in cash costs if the deal were not completed, we estimate. As shown in the following exhibit, FairPoint would face a breakup fee, and Verizon would reimburse only \$20 MM of planned \$95-110 MM in expected pre-close transition spending. In addition to the costs, having sold its stake in Orange-Poughkeepsie, FairPoint forfeits the \$9-10 MM in dividends it had received annually from that partnership, or roughly 14% of its 2006 distributable cash flow. Of course, it is likely that if the company had concerns about the transaction closing it would limit its transition spending. Any incremental spending however, would further reduce the cash available for paying dividends.

Exhibit 3

FRP Cash Costs if Deal Were Terminated (\$ MM)

| | |
|----------------------------|----------|
| Breakup fee | \$23.3 |
| VZ's deal costs up to | \$7.5 |
| Pre-close transition capex | \$100.0 |
| VZ capex reimbursement | (\$20.0) |
| Proceeds from sale of O-P | (\$55.0) |
| FRP spending | \$55.8 |

Source: Company data, Morgan Stanley Research

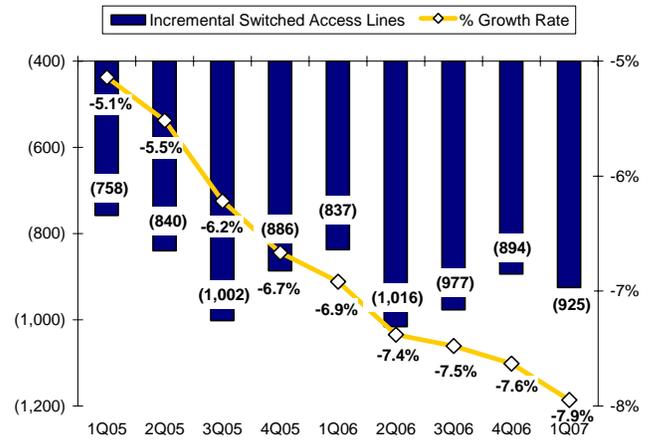
Near-Term Implications

Given that the company does not expect to generate enough cash to cover its current dividend on a standalone basis, we are concerned that FairPoint may be in a position where the Verizon NE lines transaction has become a necessity for the stock rather than an option.

We see two main areas of risk related to the VZ deal. Firstly, we have limited visibility into the operating performance of the VZ lines to be combined with FRP. The performance of these lines is important since the VZ properties are five times larger than FairPoint's current operations.

Exhibit 4

VZ Line Loss Accelerated in 1Q07



Source: Company data, Morgan Stanley Research

Access line loss at the Verizon operations to be merged with FairPoint rose to 6.8% y/y in 1Q07, according to FairPoint. The company's projections assume that moderates to 6.2% in 2008 and 5.4% in 2009. We note that Verizon's overall line loss accelerated during the first quarter to 7.9% y/y, as shown in the preceding exhibit.

Secondly, we see increasing scrutiny of telecom M&A following large-scale consolidation in recent years and as campaigning intensifies as the presidential election season approaches. New Hampshire, one of the three states in which the Verizon lines to be merged with FRP are located, is showing itself to be an important state for gaining early voter support in the presidential elections. Congressman David Kucinich, who is running for president, has publicly raised concerns about the transaction, most recently sending a letter to FCC Chairman Martin urging him to thoroughly review the proposed merger, including its tax-protected status. We are concerned that higher hurdles combined with a must-do deal could lead to additional concessions that could be negative for stockholders.

Implications for Other Rural Telecoms

FairPoint's 2008-2015 forecasts provide a rare window into a rural telecom company's longer-term expectations. Interestingly, FairPoint expects a 1% CAGR decline in total revenue during the period, a 4.6% CAGR decline in access revenue, data revenue flat after 2011, and a slight increase in operating expenses despite revenue declines, which will result in steady margin pressure.

Background: Proposed Merger with Verizon Lines

FairPoint announced in mid-January plans to combine with certain Verizon operations in New Hampshire, Vermont, and Maine through a reverse Morris Trust tax free spin-off structure.

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FairPoint Communications

In exchange for the Verizon operations, Verizon shareholders receive \$1.7 B in cash and securities from the combined company, plus 1.5266 shares in the combined company for each diluted FairPoint share, according to the merger agreement. FairPoint intends to spend \$95-110 MM prior to

the deal close, financed in part by the completed sale to Verizon of FairPoint's equity stake in the Orange-Poughkeepsie business. The deal is expected to close in January 2008.

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FairPoint Communications

Exhibit 5

FairPoint Quarterly Income Statement

| (millions \$, except per share data) | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 | 3Q06 | 4Q06 | 1Q07 | 2Q07E | 3Q07E | 4Q07E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue: | | | | | | | | | | | | |
| Local calling services | 15.6 | 16.0 | 16.6 | 16.9 | 16.3 | 16.6 | 17.0 | 17.8 | 17.5 | 17.7 | 17.6 | 17.4 |
| % growth | 0.2% | 1.4% | 3.8% | 6.9% | 4.3% | 3.9% | 2.4% | 5.1% | 7.5% | 6.6% | 3.6% | -1.9% |
| % of revenue | 25.3% | 24.5% | 25.1% | 24.2% | 25.1% | 25.9% | 24.0% | 25.3% | 25.1% | 25.6% | 24.5% | 24.4% |
| Universal service fund - high cost support | 4.8 | 4.7 | 5.0 | 5.2 | 4.8 | 4.7 | 5.1 | 5.4 | 4.6 | 4.7 | 5.1 | 5.3 |
| % growth | -12.0% | -19.5% | -13.1% | 2.9% | 0.5% | 0.5% | 1.4% | 3.7% | -4.2% | -0.7% | -0.3% | -1.5% |
| % of revenue | 7.8% | 7.2% | 7.6% | 7.4% | 7.4% | 7.4% | 7.2% | 7.6% | 6.6% | 6.8% | 7.1% | 7.4% |
| Interstate access revenues | 16.9 | 20.1 | 17.7 | 20.6 | 17.6 | 16.6 | 19.4 | 18.8 | 18.4 | 17.8 | 18.6 | 18.6 |
| % growth | -0.2% | 13.0% | 1.8% | 13.1% | 4.5% | -17.4% | 9.6% | -9.0% | 4.3% | 7.0% | -4.0% | -1.0% |
| % of revenue | 27.4% | 30.8% | 26.8% | 29.5% | 27.2% | 25.8% | 27.4% | 26.7% | 26.4% | 25.7% | 25.9% | 26.0% |
| Intrastate access revenues | 10.1 | 9.5 | 10.2 | 10.2 | 9.0 | 8.9 | 10.2 | 9.3 | 9.7 | 9.0 | 9.6 | 8.9 |
| % growth | -5.9% | -7.7% | -5.7% | -3.3% | -11.0% | -6.8% | -0.8% | -8.1% | 8.4% | 1.0% | -5.0% | -5.0% |
| % of revenue | 16.4% | 14.6% | 15.5% | 14.5% | 13.9% | 13.8% | 14.4% | 13.3% | 14.0% | 13.0% | 13.4% | 12.4% |
| Long Distance services | 4.7 | 4.8 | 5.7 | 5.7 | 5.4 | 5.6 | 6.5 | 6.0 | 6.9 | 6.9 | 7.0 | 7.0 |
| % growth | 15.8% | 14.1% | 13.7% | 26.3% | 15.3% | 17.3% | 14.6% | 5.1% | 28.6% | 22.3% | 6.6% | 17.0% |
| % of revenue | 7.6% | 7.4% | 8.6% | 8.1% | 8.3% | 8.8% | 9.2% | 8.5% | 10.0% | 10.0% | 9.7% | 9.8% |
| Data and Internet services | 5.6 | 5.9 | 6.2 | 6.4 | 6.7 | 6.9 | 7.1 | 7.6 | 7.8 | 8.1 | 8.3 | 8.5 |
| % growth | 38.9% | 33.1% | 23.0% | 16.4% | 19.5% | 16.1% | 14.3% | 17.8% | 17.3% | 16.8% | 16.4% | 13.0% |
| % of revenue | 9.1% | 9.1% | 9.4% | 9.2% | 10.3% | 10.7% | 10.1% | 10.7% | 11.3% | 11.6% | 11.6% | 11.9% |
| Other services and sales | 4.0 | 4.2 | 4.6 | 4.9 | 5.0 | 4.9 | 5.4 | 5.6 | 4.6 | 5.1 | 5.6 | 5.8 |
| % growth | -5.8% | 3.1% | -14.9% | 18.0% | 24.4% | 16.7% | 18.6% | 13.2% | -7.2% | 5.0% | 3.0% | 3.0% |
| % of revenue | 6.5% | 6.4% | 6.9% | 7.1% | 7.7% | 7.6% | 7.6% | 7.9% | 6.7% | 7.4% | 7.8% | 8.0% |
| Total revenue | 61.7 | 65.2 | 66.0 | 69.9 | 64.8 | 64.2 | 70.7 | 70.4 | 69.7 | 69.2 | 71.8 | 71.5 |
| % growth | 1.1% | 4.5% | 0.9% | 9.6% | 5.1% | -1.5% | 7.1% | 0.6% | 7.5% | 7.7% | 1.5% | 1.6% |
| Costs and Expenses: | | | | | | | | | | | | |
| Operating expenses | 32.4 | 34.6 | 37.9 | 36.5 | 35.0 | 35.6 | 39.6 | 40.0 | 40.8 | 38.7 | 40.2 | 40.0 |
| % growth | 7.9% | 7.9% | 10.9% | 12.7% | 7.9% | 2.7% | 4.4% | 9.6% | 16.5% | 8.9% | 1.6% | 0.0% |
| % revenue | 52.6% | 53.1% | 57.4% | 52.2% | 54.0% | 55.4% | 56.0% | 56.9% | 58.5% | 56.0% | 56.0% | 56.0% |
| Depreciation and amortization | 13.0 | 13.1 | 12.9 | 13.3 | 13.6 | 13.4 | 12.8 | 13.4 | 12.9 | 12.9 | 13.0 | 12.9 |
| % growth | 4.9% | 6.6% | 6.3% | -0.6% | 4.8% | 1.9% | -0.8% | 0.6% | -5.3% | -3.1% | 0.9% | -3.6% |
| % revenue | 21.1% | 20.1% | 19.6% | 19.1% | 21.0% | 20.8% | 18.2% | 19.1% | 18.5% | 18.7% | 18.0% | 18.1% |
| Stock-based compensation | - | 0.7 | 0.6 | 0.7 | 0.6 | 0.7 | 0.8 | 0.8 | 0.9 | 0.7 | 0.7 | 0.6 |
| % growth | -100.0% | 1456.8% | 1160.0% | -922.6% | 0.0% | 2.2% | 41.1% | 15.8% | 46.6% | 4.1% | -8.9% | -30.4% |
| % revenue | 0.0% | 1.1% | 0.9% | 1.0% | 0.9% | 1.1% | 1.1% | 1.1% | 1.3% | 1.1% | 1.0% | 0.8% |
| Total costs and expenses | 45.5 | 48.4 | 51.4 | 50.5 | 49.2 | 49.6 | 53.2 | 54.2 | 54.6 | 52.4 | 53.9 | 53.5 |
| % growth | 6.9% | 9.0% | 10.8% | 10.5% | 8.3% | 2.5% | 3.5% | 7.3% | 10.8% | 5.6% | 1.3% | -1.3% |
| % revenue | 73.7% | 74.3% | 77.9% | 72.2% | 76.0% | 77.3% | 75.2% | 77.1% | 78.3% | 75.8% | 75.1% | 74.9% |
| EBITDA | 29.2 | 29.9 | 27.6 | 32.7 | 29.2 | 27.9 | 30.3 | 29.6 | 28.0 | 29.7 | 30.8 | 30.9 |
| % growth | -5.3% | -1.3% | -11.7% | 4.0% | -0.1% | -6.6% | 10.0% | -9.7% | -4.0% | 6.4% | 1.7% | 4.5% |
| % revenue | 47.4% | 45.8% | 41.7% | 46.8% | 45.0% | 43.5% | 42.9% | 42.0% | 40.2% | 42.9% | 43.0% | 43.2% |
| Operating income (EBIT) | 16.2 | 16.8 | 14.6 | 19.4 | 15.6 | 14.6 | 17.5 | 16.2 | 15.1 | 16.8 | 17.9 | 18.0 |
| % growth | -12.2% | -6.7% | -23.2% | 7.4% | -4.1% | -13.2% | 19.7% | -16.8% | -2.9% | 15.1% | 2.3% | 11.3% |
| % revenue | 26.3% | 25.7% | 22.1% | 27.8% | 24.0% | 22.7% | 24.8% | 22.9% | 21.7% | 24.2% | 24.9% | 25.1% |
| Interest and dividend income | 0.6 | 0.7 | 0.4 | 0.8 | 0.3 | 2.6 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| % growth | 81.6% | 58.6% | -30.4% | -17.6% | -38.4% | 259.3% | -47.0% | -78.6% | -77.1% | -96.9% | -63.8% | -50.7% |
| % revenue | 0.9% | 1.1% | 0.6% | 1.2% | 0.5% | 4.0% | 0.3% | 0.3% | 0.1% | 0.1% | 0.1% | 0.1% |
| Interest expense | (17.0) | (9.6) | (10.0) | (9.8) | (9.8) | (9.8) | (10.0) | (10.2) | (10.0) | (9.9) | (10.0) | (10.0) |
| % growth | -33.9% | -62.9% | -61.7% | -63.1% | -42.5% | 2.1% | -0.6% | 3.2% | 2.9% | 1.3% | -0.1% | -1.1% |
| % revenue | 27.5% | 14.7% | 15.2% | 14.1% | 15.1% | 15.3% | 14.1% | 14.4% | 14.4% | 14.3% | 13.9% | 14.0% |
| Equity in net earnings of investees | 2.7 | 2.8 | 2.7 | 3.1 | 3.3 | 3.1 | 1.8 | 2.4 | 2.6 | 0.2 | 0.2 | 0.2 |
| % growth | 10.0% | 5.9% | -5.5% | 5.5% | 23.7% | 10.1% | -32.2% | -23.1% | -21.6% | -95.1% | -91.9% | -93.8% |
| % revenue | 4.3% | 4.3% | 4.1% | 4.5% | 5.1% | 4.8% | 2.6% | 3.4% | 3.7% | 0.2% | 0.2% | 0.2% |
| Realized & Unrealized gains (losses) on interes | - | - | - | - | (0.1) | - | - | 0.5 | - | - | - | - |
| % growth | -100.0% | -100.0% | - | - | - | - | - | - | - | - | - | - |
| % revenue | 0.0% | 0.0% | 0.0% | 0.0% | -0.1% | 0.0% | 0.0% | 0.6% | 0.0% | 0.0% | 0.0% | 0.0% |
| Income before income taxes | 2.5 | 10.7 | 7.7 | 13.5 | 9.4 | 10.4 | 9.6 | 9.0 | 7.7 | 7.1 | 8.2 | 8.2 |
| % growth | -153.6% | -321.7% | -309.4% | -397.0% | 282.5% | -2.5% | 24.3% | -33.3% | -17.6% | -32.3% | -14.8% | -9.6% |
| % revenue | 4.0% | 16.4% | 11.7% | 19.4% | 14.5% | 16.3% | 13.6% | 12.8% | 11.1% | 10.2% | 11.4% | 11.4% |
| Income tax benefit (expense) | - | (3.5) | (3.5) | (4.8) | (3.7) | (4.0) | (3.7) | (3.9) | (3.3) | (2.7) | (3.1) | (3.1) |
| % growth | 0.0% | 0.0% | - | - | - | - | - | - | - | - | - | - |
| % revenue | 0.0% | -5.4% | -5.3% | -6.9% | -5.6% | -6.2% | -5.2% | -5.6% | -4.7% | -3.9% | -4.4% | -4.4% |
| Effective tax rate | 0.0% | -32.8% | -45.5% | -35.6% | -39.0% | -38.0% | -38.3% | -43.4% | -42.8% | -38.3% | -38.3% | -38.3% |
| Minority interest in income of subsidiaries | - |
| Net income applicable to common shares | 2.5 | 7.2 | 4.2 | 8.7 | 5.7 | 6.5 | 5.9 | 5.1 | 4.4 | 4.4 | 5.0 | 5.0 |
| % growth | -151.1% | -250.5% | -211.1% | -281.9% | 133.5% | -10.0% | 40.6% | -41.4% | -22.8% | -32.6% | -14.8% | -1.4% |
| Diluted EPS | \$0.10 | \$0.21 | \$0.12 | \$0.25 | \$0.17 | \$0.19 | \$0.17 | \$0.15 | \$0.13 | \$0.13 | \$0.14 | \$0.14 |
| % growth | - | - | - | - | - | - | - | - | - | - | - | - |
| Diluted weighted average shares | 24.0 | 34.6 | 34.6 | 34.6 | 34.6 | 34.7 | 34.8 | 34.9 | 34.7 | 34.9 | 34.9 | 34.9 |
| % growth | 153.5% | 44.0% | 0.1% | -0.1% | 0.2% | 0.1% | 0.3% | 0.2% | -0.5% | 0.6% | 0.0% | 0.0% |

Source: Company data, Morgan Stanley Research

June 5, 2007

FairPoint Communications

Exhibit 6

FairPoint Annual Income Statement

| (millions \$, except per share data) | 2002 | 2003 | 2004 | 2005 | 2006E | 2007E | 2008E | 2009E | 2010E | 2011E | 2012E | '07-'12 CAGR |
|--|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue: | | | | | | | | | | | | |
| Local calling services | 54.0 | 56.1 | 63.2 | 65.1 | 67.7 | 70.2 | 69.0 | 68.9 | 68.9 | 69.0 | 68.3 | -0.5% |
| % growth | 6.7% | 3.8% | 12.6% | 3.1% | 3.9% | 3.8% | -1.8% | 0.0% | 0.0% | 0.0% | -0.9% | |
| % of revenue | 23.4% | 24.2% | 25.0% | 24.8% | 25.1% | 24.9% | 25.2% | 25.4% | 25.7% | 25.8% | 25.9% | |
| Universal service fund - high cost support | 22.4 | 18.9 | 22.2 | 19.7 | 20.0 | 19.7 | 17.9 | 16.9 | 15.7 | 15.1 | 14.3 | -6.2% |
| % growth | 17.9% | -15.7% | 17.2% | -10.9% | 1.6% | -1.6% | -9.0% | -6.0% | -7.0% | -4.0% | -5.0% | |
| % of revenue | 9.7% | 8.2% | 8.8% | 7.5% | 7.4% | 7.0% | 6.5% | 6.2% | 5.8% | 5.6% | 5.4% | |
| Interstate access revenues | 65.8 | 66.6 | 70.3 | 75.3 | 72.4 | 73.4 | 66.7 | 62.7 | 58.4 | 56.0 | 53.2 | -6.2% |
| % growth | -0.4% | 1.2% | 5.6% | 7.1% | -3.8% | 1.3% | -9.0% | -6.0% | -7.0% | -4.0% | -5.0% | |
| % of revenue | 28.5% | 28.8% | 27.8% | 28.6% | 26.8% | 26.0% | 24.4% | 23.1% | 21.7% | 21.0% | 20.2% | |
| Intrastate access revenues | 43.8 | 44.0 | 42.4 | 40.0 | 37.4 | 37.2 | 33.9 | 31.8 | 29.6 | 28.4 | 27.0 | -6.2% |
| % growth | -9.9% | 0.3% | -3.6% | -5.6% | -6.6% | -0.4% | -9.0% | -6.0% | -7.0% | -4.0% | -5.0% | |
| % of revenue | 19.0% | 19.0% | 16.8% | 15.2% | 13.8% | 13.2% | 12.4% | 11.7% | 11.0% | 10.6% | 10.2% | |
| Long Distance services | 16.8 | 15.4 | 17.8 | 20.9 | 23.5 | 27.8 | 27.5 | 27.7 | 28.6 | 29.1 | 29.0 | 0.8% |
| % growth | -13.9% | -7.9% | 15.1% | 17.5% | 12.8% | 18.0% | -1.0% | 0.9% | 3.0% | 2.0% | -0.5% | |
| % of revenue | 7.3% | 6.7% | 7.0% | 7.9% | 8.7% | 9.8% | 10.0% | 10.2% | 10.6% | 10.9% | 11.0% | |
| Data and Internet services | 10.3 | 13.4 | 19.1 | 24.2 | 28.2 | 32.7 | 37.9 | 41.8 | 45.8 | 48.3 | 50.3 | 9.0% |
| % growth | 33.5% | 30.9% | 41.9% | 26.8% | 16.9% | 15.8% | 15.8% | 10.4% | 9.6% | 5.5% | 4.2% | |
| % of revenue | 4.4% | 5.8% | 7.5% | 9.2% | 10.5% | 11.6% | 13.8% | 15.4% | 17.1% | 18.1% | 19.1% | |
| Other services and sales | 17.8 | 17.0 | 17.8 | 17.7 | 20.8 | 21.1 | 21.2 | 21.4 | 21.4 | 21.4 | 21.4 | 0.3% |
| % growth | -5.1% | -4.0% | 4.6% | -0.9% | 18.0% | 1.0% | 0.5% | 1.0% | 0.0% | 0.0% | 0.0% | |
| % of revenue | 7.7% | 7.4% | 7.1% | 6.7% | 7.7% | 7.5% | 7.7% | 7.9% | 8.0% | 8.0% | 8.1% | |
| Total revenue | 230.8 | 231.4 | 252.6 | 262.8 | 270.1 | 282.1 | 274.0 | 271.3 | 268.3 | 267.3 | 263.6 | -1.3% |
| % growth | 0.3% | 0.3% | 9.2% | 4.0% | 2.7% | 4.4% | -2.8% | -1.0% | -1.1% | -0.4% | -1.4% | |
| Costs and Expenses: | | | | | | | | | | | | |
| Operating expenses | 110.3 | 111.2 | 128.8 | 141.5 | 150.1 | 159.7 | 157.6 | 156.3 | 154.8 | 154.5 | 152.6 | -0.9% |
| % growth | -4.7% | 0.8% | 15.8% | 9.9% | 6.1% | 6.4% | -1.3% | -0.8% | -0.9% | -0.2% | -1.2% | |
| % revenue | 47.8% | 48.0% | 51.0% | 53.8% | 55.6% | 56.6% | 57.5% | 57.6% | 57.7% | 57.8% | 57.9% | |
| Depreciation and amortization | 46.3 | 48.1 | 50.3 | 52.4 | 53.2 | 51.7 | 51.7 | 51.5 | 51.4 | 51.2 | 51.0 | -0.3% |
| % growth | -15.9% | 3.8% | 4.6% | 4.2% | 1.6% | -2.8% | -0.1% | -0.3% | -0.3% | -0.3% | -0.4% | |
| % revenue | 20.1% | 20.8% | 19.9% | 19.9% | 19.7% | 18.3% | 18.8% | 19.0% | 19.1% | 19.2% | 19.3% | |
| Stock-based compensation | 0.9 | 0.0 | 0.0 | 1.9 | 2.9 | 0.0% |
| % growth | -30.9% | -98.4% | 226.7% | 3865.3% | 50.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| % revenue | 0.4% | 0.0% | 0.0% | 0.7% | 1.1% | 1.0% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | |
| Total costs and expenses | 157.5 | 159.3 | 179.1 | 195.8 | 206.3 | 214.3 | 212.1 | 210.7 | 209.1 | 208.6 | 206.5 | -0.7% |
| % growth | -8.5% | 1.1% | 12.4% | 9.3% | 5.4% | 3.9% | -1.0% | -0.7% | -0.8% | -0.2% | -1.0% | |
| % revenue | 68.2% | 68.8% | 70.9% | 74.5% | 76.4% | 76.0% | 77.4% | 77.7% | 77.9% | 78.0% | 78.4% | |
| EBITDA | 119.6 | 120.2 | 123.8 | 119.4 | 117.0 | 119.5 | 113.6 | 112.1 | 110.6 | 109.9 | 108.0 | -2.0% |
| % growth | 5.8% | 0.5% | 3.0% | -3.6% | -2.0% | 2.1% | -4.9% | -1.3% | -1.4% | -0.6% | -1.7% | |
| % revenue | 51.8% | 52.0% | 49.0% | 45.4% | 43.3% | 42.3% | 41.4% | 41.3% | 41.2% | 41.1% | 41.0% | |
| Operating income (EBIT) | 73.3 | 72.1 | 73.6 | 67.0 | 63.8 | 67.7 | 61.9 | 60.6 | 59.2 | 58.7 | 57.0 | -3.4% |
| % growth | 26.4% | -1.6% | 2.0% | -8.9% | -4.9% | 6.2% | -8.6% | -2.1% | -2.3% | -0.9% | -2.8% | |
| % revenue | 31.8% | 31.2% | 29.1% | 25.5% | 23.6% | 24.0% | 22.6% | 22.3% | 22.1% | 22.0% | 21.6% | |
| Interest and dividend income | 1.9 | 1.8 | 2.3 | 2.5 | 3.3 | 0.3 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 11.5% |
| % growth | -5.0% | -5.6% | 30.4% | 7.0% | 32.7% | -90.3% | 34.4% | 17.9% | 11.4% | 8.3% | -9.8% | |
| % revenue | 0.8% | 0.8% | 0.9% | 1.0% | 1.2% | 0.1% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | |
| Interest expense | (69.5) | (90.2) | (104.3) | (46.4) | (39.7) | (39.9) | (41.6) | (42.9) | (44.9) | (46.9) | (49.0) | 4.2% |
| % growth | -8.9% | 29.8% | 15.6% | -55.5% | -14.5% | 0.7% | 4.1% | 3.1% | 4.6% | 4.5% | 4.4% | |
| % revenue | 30.1% | 39.0% | 41.3% | 17.7% | 14.7% | 14.2% | 15.2% | 15.8% | 16.7% | 17.6% | 18.6% | |
| Equity in net earnings of investees | 7.8 | 10.1 | 10.9 | 11.3 | 10.6 | 3.0 | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | -29.7% |
| % growth | 58.2% | 29.4% | 8.0% | 3.7% | -6.1% | -71.5% | -80.2% | -3.5% | -3.5% | -3.5% | -3.5% | |
| % revenue | 3.4% | 4.4% | 4.3% | 4.3% | 3.9% | 1.1% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | |
| Realized & Unrealized gains (losses) on interest rate | (9.6) | (1.4) | (0.1) | - | 0.4 | - | - | - | - | - | - | 0.0% |
| % growth | -25.6% | -85.5% | -91.9% | -100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| % revenue | -4.1% | -0.6% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Income before income taxes | 3.9 | (7.6) | (17.6) | 34.4 | 38.4 | 31.1 | 21.3 | 18.8 | 15.5 | 12.9 | 9.1 | -21.8% |
| % growth | -116.2% | -293.6% | 132.5% | -295.1% | 11.7% | -19.0% | -31.5% | -11.9% | -17.7% | -16.5% | -29.4% | |
| % revenue | 1.7% | -3.3% | -7.0% | 13.1% | 14.2% | 11.0% | 7.8% | 6.9% | 5.8% | 4.8% | 3.5% | |
| Income tax benefit (expense) | (0.5) | 0.2 | (0.5) | (11.8) | (15.2) | (12.3) | (8.4) | (7.4) | (6.1) | (5.1) | (3.6) | -21.8% |
| % growth | -0.2% | 0.1% | -0.2% | -4.5% | -5.6% | -4.4% | -3.1% | -2.7% | -2.3% | -1.9% | -1.4% | |
| % revenue | -13.2% | -3.1% | 2.9% | -34.4% | -39.6% | -39.4% | -39.4% | -39.4% | -39.4% | -39.4% | -39.4% | |
| Implied tax rate | 11.9 | 8.9 | - | - | - | - | - | - | - | - | - | |
| % growth | 0.0% | -25.4% | -100.0% | - | - | - | - | - | - | - | - | |
| % revenue | 5.2% | 3.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Net income applicable to common shares | (8.5) | (16.2) | (18.2) | 22.6 | 23.2 | 18.9 | 12.9 | 11.4 | 9.4 | 7.8 | 5.5 | -21.8% |
| % growth | -65.5% | 90.7% | 11.8% | -224.3% | 2.9% | -18.8% | -31.5% | -11.9% | -17.7% | -16.5% | -29.4% | |
| Diluted EPS | \$0.69 | \$0.67 | \$0.54 | \$0.37 | \$0.54 | \$0.37 | \$0.33 | \$0.27 | \$0.22 | \$0.16 | \$0.16 | -21.8% |
| % growth | -135.8% | -2.6% | -18.8% | -31.5% | -11.9% | -17.7% | -16.5% | -29.4% | - | - | - | |
| Weighted Average Diluted Shares | 32.9 | 34.8 | 34.8 | 34.8 | 34.8 | 34.8 | 34.8 | 34.8 | 34.8 | 34.8 | 34.8 | |
| % growth | 5.7% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |

Source: Company data, Morgan Stanley Research

| | |
|---|--|
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|---|--|

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(as of May 31, 2007)

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| Stock Rating Category | Coverage Universe | | Investment Banking Clients (IBC) | | |
|--------------------------|-------------------|------------|----------------------------------|----------------|----------------------|
| | Count | % of Total | Count | % of Total IBC | % of Rating Category |
| Overweight/Buy | 870 | 39% | 293 | 42% | 34% |
| Equal-weight/Hold | 1017 | 45% | 301 | 43% | 30% |
| Underweight/Sell | 363 | 16% | 99 | 14% | 27% |
| Total | 2,250 | | 693 | | |

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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More volatile (V). We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months.

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Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

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Industry Coverage: Telecom Services

| Company (Ticker) | Rating (as of) | Price (06/04/2007) |
|--|------------------|--------------------|
| Vance Edelson | | |
| AMDOCS (DOX.N) | E (12/18/2006) | \$39.11 |
| American Tower Corp. (AMT.N) | O (05/12/2005) | \$42.83 |
| Crown Castle Corp. (CCI.N) | E (02/09/2007) | \$37.35 |
| Level 3 Communications, Inc. (LVL.T.O) | E-V (06/29/2006) | \$5.87 |
| PAETEC Holding Corp. (PAET.O) | O-V (05/24/2007) | \$11.2 |
| SAVVIS Inc. (SVVS.O) | O-V (01/30/2007) | \$50.51 |
| SBA Communications (SBAC.O) | O (10/05/2005) | \$32.6 |
| TELUS Corp. (TU.N) | E (09/08/2006) | \$61.85 |
| Time Warner Telecom Inc. (TWTC.O) | O (03/27/2006) | \$20.07 |
| Simon Flannery | | |
| AT&T, Inc. (T.N) | O (03/08/2006) | \$40.9 |
| Alltel Corporation (AT.N) | E (03/08/2006) | \$68.63 |
| BCE Inc. (BCE.N) | ++ | \$36.91 |
| CenturyTel (CTL.N) | E (08/01/2006) | \$49.46 |
| Cincinnati Bell Inc. (CBB.N) | E-V (11/03/2006) | \$5.89 |
| Citizens Communications (CZN.N) | E (05/07/2007) | \$15.84 |
| Clearwire Corporation (CLWR.O) | ++ | \$18.96 |
| Embarq Corporation (EQ.N) | E-V (02/09/2007) | \$63.82 |
| Leap Wireless (LEAP.O) | O-V (04/28/2006) | \$86 |
| MetroPCS Communications (PCS.N) | E-V (05/29/2007) | \$36.68 |
| Qwest Communications Int'l (Q.N) | U (03/18/2002) | \$10.28 |
| Rogers Communications, Inc. (RCIb.TO) | O (04/27/2005) | C\$44.09 |
| Sprint Nextel Corporation (S.N) | U (02/24/2004) | \$23.34 |
| Telephone & Data Systems (TDS.A) | U (07/23/2003) | \$65.26 |
| US Cellular Corporation (USM.A) | E-V (08/13/2003) | \$83.59 |
| Verizon Communications (VZ.N) | E (01/19/2005) | \$42.95 |
| Raina Smyth | | |
| FairPoint Communications (FRP.N) | ++ | \$18 |
| Iowa Telecom (IWA.N) | U (04/17/2006) | \$22.97 |
| Windstream Corp. (WIN.N) | O (04/17/2006) | \$15.21 |

Stock Ratings are subject to change. Please see latest research for each company.