

DIVIDER

**STATE OF NORTH DAKOTA
INFORMATION TECHNOLOGY DEPARTMENT
SFN 2053 (4-2002)**

PU-2434-00-602

**FairPoint Communications Solutions Corp.
Local Exchange/Interexchange**

Public Convenience & Nece

Filed 11/14/2000

Closed 1/26/2001

00

Scott, Sandi L.

From: Bauske, Shelly A.
Sent: Monday, March 12, 2001 10:27 AM
To: Scott, Sandi L.; Geiger, Gloria A.
Subject: Money Received....

Case No. PU-434-00-602
FairPoint Comm Solutions Corp
\$264.09

Case No. PU-2443-00-620
NewPath Holdings Inc
\$43.65

43 **PU-2434-00-602** Pages: 0

\$264.09 received

by FairPoint Communications Solutions Corp.

03/12/2001

CC: Comm Legal Ilona Jerry .

APPROVED

DATE: 2-21-01
KMF

MOTION

February 21, 2001

FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2434-00-602

I move the Commission bill FairPoint Communications Solutions Corp. for costs incurred to date in Case No. PU-2434-00-602, FairPoint Communications Solutions Corp., Local Exchange/Interexchange, Public Convenience and Necessity.



Public Service Commission
State of North Dakota

COMMISSIONERS

Bruce Hagen
President
Susan E. Wefald
Leo M. Reinbold

February 21, 2001

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
e-mail: sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Executive Secretary
Jon H. Mielke

Chad Pifer
FairPoint Communications
6324 Fairview Rd 4th Fl
Charlotte NC 28210

RE: Case No. PU-2434-00-602
FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity

Enclosed is a copy of the statement approved at the February 21, 2001 Public Service Commission meeting for the expenses incurred to date in Case No. PU-2434-00-602.

Under N.D.C.C. 49-21-01.7, these expenses are billed through the Valuation Fund and must be paid for by the telecommunications company involved.

Please make your check payable to the Public Service Commission.

Sincerely,

Gloria Geiger
Administrative Assistant
701-328-2401

Enc.

Billing Statement

February 21, 2001

FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2434-00-602

Expenses Incurred to Date:

Advertising Costs	\$264.09
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Amount Due:

FairPoint Communications Solutions Corp.	\$264.09
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Send Payment To:

Public Service Commission
600 E Boulevard Ave Dept 408
Bismarck ND 58505-0480

Federal Tax ID 45-0309764

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2434-00-602

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **25th day of January, 2001**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

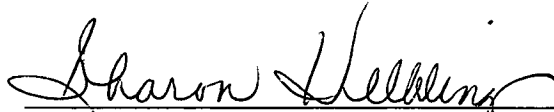
Order


The envelope was addressed as follows:

Chad Pifer
FairPoint Communications
6324 Fairview Rd 4th Fl
Charlotte NC 28210
Cert. No. 7000 0520 0022 8654 0100

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **25th day of January, 2001**.





Notary Public

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

SEAL

41

PU-2434-00-602

Pages: 1

Affidavit of Service by Mail

by Public Service Commission

01/25/2001

CC: Comm Legal Illona Jerry.

PU-2434-00-602

Copies To:

State Library (8 copies)

Historical Society

Associated Press



Public Service Commission
State of North Dakota

COMMISSIONERS

Bruce Hagen
President
Susan E. Wefald
Leo M. Reinbold

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
e-mail: sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Executive Secretary
Jon H. Mielke

January 25, 2001

Chad Pifer
FairPoint Communications
6324 Fairview Rd 4th Fl
Charlotte NC 28210

Dear Mr. Pifer:

On January 24, 2001, the Commission issued Certificate of Public Convenience Nos. 4646 through 4672 to FairPoint Communications Solutions Corp. to provide facilities-based interexchange (toll) telecommunications services throughout North Dakota and facilities-based local exchange telecommunications services in the exchange presently served by U.S. WEST in North Dakota, Case No. PU-2434-00-602. The original certificates are enclosed for your files.

The Commission maintains a mailing list of telecommunications companies to which we mail notices relating to telecommunications issues. These notices are also published on the web site for your review ([HTTP://PC6.PSC.STATE.ND.US](http://PC6.PSC.STATE.ND.US) or [HTTP://WWW.STATE.ND.US](http://WWW.STATE.ND.US) (under "North Dakota State Government)).

In an effort to cut down on printing and mailing costs, I will **not** add this company to that list unless you request that I do so. You can contact me at 701-328-4076, FAX 701-328-2410, E-Mail msmail.sdh@oracle.psc.state.nd.us, or write.

Sincerely,

Sharon Helbling
Public Utilities Division

sdh

Enclosure

40 PU-2434-00-602

Pages: 1

Letter re approval

by Public Service Commission

01/25/2001

CC: Comm Legal Ilona Jerry

APPROVED

MOTION

DATE: 1-24-01
KME

January 24, 2001

**FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity**

Case No. PU-2434-00-602

I move the Commission adopt the Order and issue Certificates of Public Convenience and Necessity to provide local exchange telecommunications services in all exchanges currently served by U S WEST and interexchange telecommunications services throughout North Dakota, Case No. PU-2434-00-602.

JRL/sdh

000602-11.doc

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2434-00-602

ORDER

January 24, 2001

On November 14, 2000, FairPoint Communications Solutions Corp. (FairPoint) filed an application for certificates of public convenience and necessity to provide competitive facilities-based local exchange telecommunications services in all exchanges currently served by U S WEST Communications, Inc. and interexchange telecommunications services throughout North Dakota.

On November 22, 2000, the Commission issued a Notice of Opportunity for Hearing, which provided until December 28th for receiving comments or hearing requests. No requests for hearing were received. The Notice indicated the following issues to be considered in this matter:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. The technical, financial and managerial ability of the applicant to provide service.

On December 5, 2000, the Public Service Commission's Director of Accounting filed a memorandum indicating that Fairpoint has the financial ability to provide telecommunications service.

FairPoint is wholly-owned by FairPoint Communications, Inc., f/k/a MJD Communications, Inc., a Delaware Corporation with headquarters at Charlotte, NC. FairPoint is certified to provide service in several states and has not been denied certification in any state. FairPoint indicates that its management and key personnel have extensive telecommunications operational experience and technical expertise. The Commission finds FairPoint is fit, able, and has the technical, financial and managerial ability to provide service.

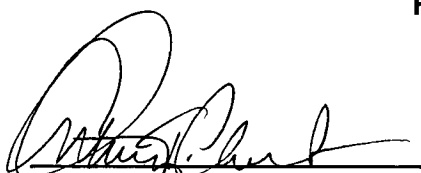
FairPoint initially intends to offer services through resale and to eventually deploy its own network. FairPoint states that facilities may be used for both switched and private line traffic and will include the provisions of local exchange service to business

and residential customers. The Commission finds FairPoint's proposed service is adequate.

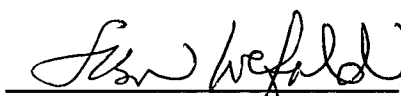
Order

The Commission Orders the application of FairPoint Communications Solutions Corp. for certificates of public convenience and necessity to provide facilities-based competitive local exchange telecommunications services at all locations currently served by U S WEST Communications, Inc. and interexchange telecommunications services throughout North Dakota is GRANTED.

PUBLIC SERVICE COMMISSION



Anthony T. Clark
Commissioner



Susan E. Wefald
President



Leo M. Reinbold
Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4646

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide statewide interexchange (toll) telecommunications services, with facilities, in North Dakota.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

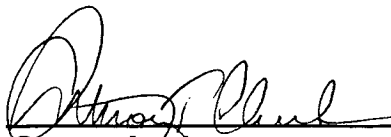
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4647

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Belfield, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

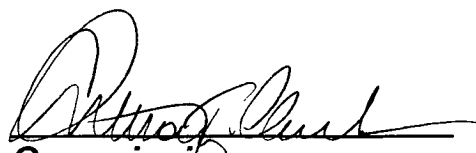
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4648

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Bismarck, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

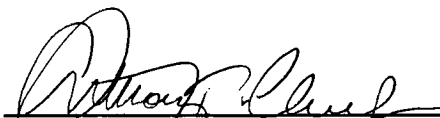
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4649

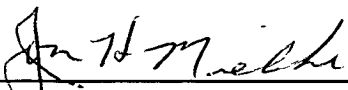
This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Casselton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

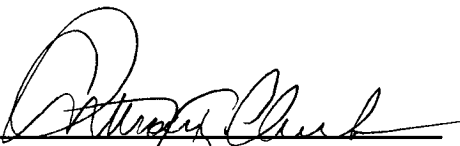
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4650


This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Dickinson, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

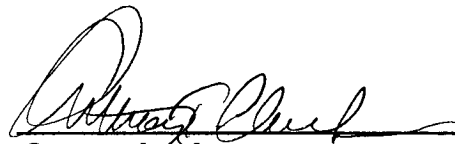
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4651

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Emerado, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4652

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Fargo, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4653

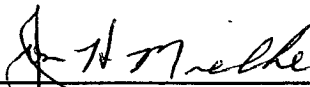
This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Gardner, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4654

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Grafton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

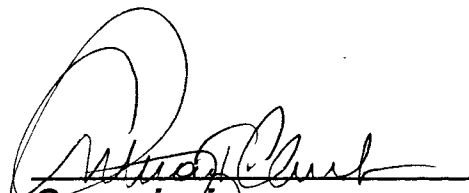
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4655

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Grand Forks, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4656

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Hatton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4657

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Hillsboro, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4658

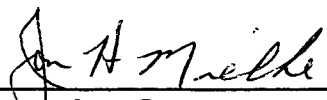
This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Jamestown, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4659


This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Kindred, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4660

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Larimore, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4661

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Leonard, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4662

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Mandan, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4663

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Marvel, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4664

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Mayville, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4665

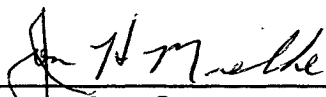
This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Minto, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

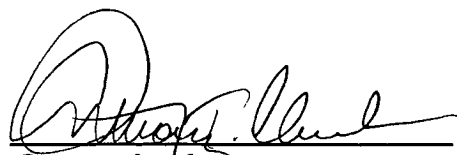
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4666

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Northwood, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4667

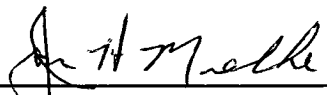
This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Reynolds, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

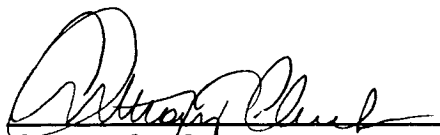
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4668

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Thompson, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4669

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Valley City, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4670

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Wahpeton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4671

This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the suburban territory near Fairview, Montana, part of the Fairview local exchange area, but located in North Dakota and served from the Fairview, Montana local central office.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

12 PU-2434-00-602

Pages: 1

Certificate # 4671

by Public Service Commission

01/24/2001

CC: Comm Legal Illona Jerry.

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4672

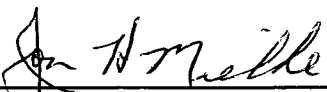
This is to certify that public convenience and necessity require, and permission is granted for FairPoint Communications Solutions Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the rural territory near Sidney, Montana, part of the Sidney local exchange area, but located in North Dakota and served from the Sidney, Montana local central office.

This certificate is issued in Case No. PU-2434-00-602 and is conditioned upon FairPoint Communications Solutions Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

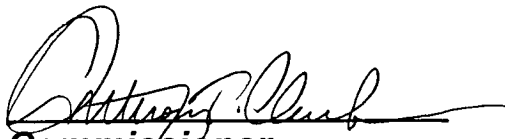
Bismarck, North Dakota, January 24, 2001.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

INFORMAL AGENDA

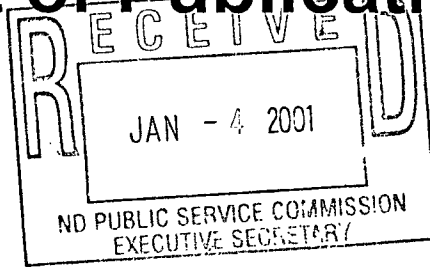
January 10, 2001

- PU-2256-00-553 United Communications HUB, Inc.
Local Exchange/Interexchange
Public Convenience and Necessity
- PU-2434-00-602 Fairpoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity
- PU-400-00-609 Northern States Power Company
Petition for Statement
Application

~~Emergency Siting Bill Draft~~

- 9** **PU-2256-00-553** Pages: 0
Informal Hearing Held
by Public Service Commission
01/10/2001 CC: Comm Legal Ilona Jerry .
- 10** **PU-2434-00-602** Pages: 0
Informal Hearing Held
by Public Service Commission
01/10/2001 CC: Comm Legal Ilona Jerry .
- 3** **PU-400-00-609** Pages: 0
Informal Hearing Held
by Public Service Commission
01/11/2001 CC: Comm Legal PUD (3)

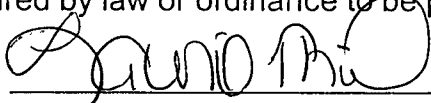
Affidavit of Publication



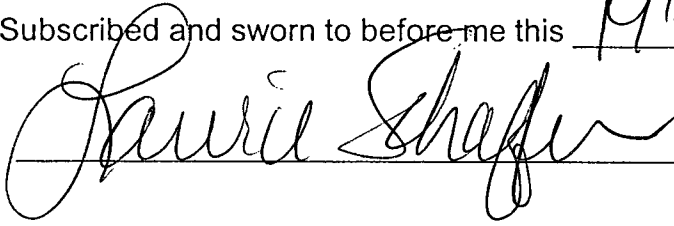
State of North Dakota)
)
County of Burleigh)

Laurie Thiel , being duly sworn, state as follows:

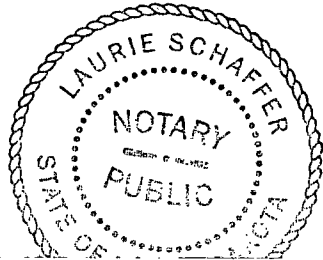
1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.
2. The newspapers listed on the exhibits published the advertisement of:
Fairpoint Comm. , 1 time(s)
as required by law or ordinance.
3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

Signed: 

Subscribed and sworn to before me this 19th day of December A.D. 2000



LAURIE SCHAFFER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires DEC. 1, 2005



Notice Of Opportunity For Hearing
November 22, 2000

Case No. PU-2434-00-602

Bismarck	11-29
Devils Lake	12-1
Jamestown	11-29
Dickinson	12-1
Fargo	12-4
Grand Forks	11-30
Minot	11-29
Valley City	12-1
Wahpeton	12-3
Williston	12-1

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2434-00-602

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **5th day of December, 2000**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

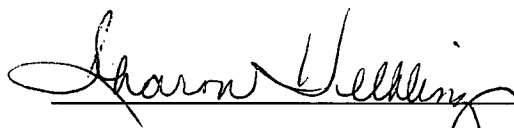
Staff Memorandum on Financial Ability

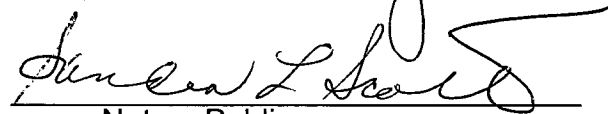
The envelope was addressed as follows:

Chad Pifer
FairPoint Communications
6324 Fairview Rd 4th Fl
Charlotte NC 28210
Cert. No. 7000 0520 0022 8653 3027

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **5th day of December, 2000**.





Notary Public

SEAL



8

PU-2434-00-602

Pages: 1

Affidavit of Service

by Public Service Commission

12/05/2000

CC: Comm Legal Ilona Jerry .



Public Service Commission
State of North Dakota

COMMISSIONERS

Bruce Hagen
President
Susan E. Wefald
Leo M. Reinbold

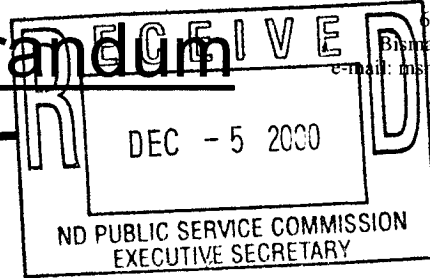
To: Jon Mielke

From: Mike Diller *Mike Diller*

Date: December 5, 2000

Re: **FairPoint Communications Solutions Corp.
Local Exchange/Interexchange PC&N
Case No. PU-2434-00-602**

Memorandum



600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
e-mail: ms@mail.sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Executive Secretary
Jon H. Mielke

The following is written to provide the commission with a very limited review of this case regarding the financial ability of the applicant to provide service in North Dakota.

The applicant is wholly owned by MJD Communications, Inc. According to financial information provided for the year ended 1999, MJD has sufficient equity to provide service in North Dakota.

The Telecommunications Act of 1996 established a national policy to create a competitive environment for telephone service. The applicant is one of many companies responding to the Act.

I see no reason to deny the applicant's request.

In accordance with the Commission's wishes, I have served this document on the applicant.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity**

Case No. PU-2434-00-602

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **24th day of November, 2000**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:


Notice of Opportunity for Hearing


The envelope was addressed as follows:

Chad Pifer
FairPoint Communications
6324 Fairview Rd 4th Fl
Charlotte NC 28210
Cert. No. 7099 3400 0014 4513 6491

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **24th day of November, 2000**.





Notary Public

SEAL

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2434-00-602

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **24th day of November, 2000**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Notice of Opportunity for Hearing

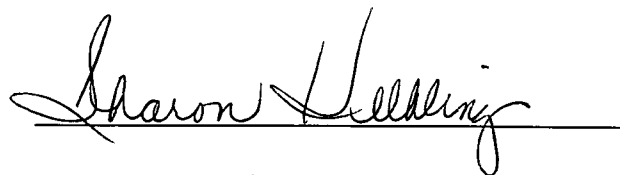
The envelopes were addressed as follows:

See Attached List

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **24th day of November, 2000**.

SEAL





Notary Public
SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

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Barb Berkenpas

wbrudvik@ohnstadlaw.com
William Brudvik

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Don Lee

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Janis Peterson

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Lise Strom

harumiyamamoto@dwt.com
Harumi Yamamoto

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Ruth Holder

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Groton SD 57445

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Jerry Chapman
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Steele ND 58482-0230

ken@staff.ctctel.com
L Dan Wilhelmson
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Dickinson ND 58601-1077

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McLeodUSA

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Cooperstown ND 58425

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Dorothy Jones
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Jennifer Whitley
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Concert Communications Sales LLC
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D D D Calling Inc
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Richfield OH 44286

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Lucille Nilson
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Cooperstown ND 58425

Group Long Distance Inc
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HJN Telecom Inc
3235 Satellite Blvd Bldg 400 Ste 300
Duluth GA 30096

IdeaOne Telecom Group LLC
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Fargo ND 58104

Lance Sentman
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Nanette Edwards
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Huntsville AL 35802-1382

Larry Barnes
IXC/SSC-Regulatory Affairs
1122 S Capital of TX Hwy
Austin TX 78746-6426

Katherine E Ford
U S WEST
1801 California St Ste 5100
Denver CO 80202

Thomas K Crowe
Law Offices of Thomas K Crowe PC
2300 M St NW Ste 800
Washington DC 20037

LCI International Telecom Corp
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Dublin OH 43017

Level 3 Communications LLC
3555 Farnam St
Omaha NE 68131

Marilyn Foss
MCI WorldCom Inc
707 17th St Ste 3600
Denver CO 80202

McLeodUSA
P O Box 3177
Cedar Rapids IA 52406-3177

Midcontinent Communications
410 South Phillips Ave
Sioux Falls SD 57104

Gordon Wilhelmi
Midstate Communications Inc
PO Box 400
Stanley ND 58784-0400

Minnesota Independent Equal Access
Corp
10300 6th Avenue N
Plymouth MN 55441

MVX Communications LLC
100 Rowland Way Ste 145
Novato CA 94945

Richard Thronson
Nemont Telephone Cooperative Inc
Scobey MT 59263

Net-tel Corporation
1023 31st St NW
Washington DC 20007

LDM Systems Inc
430 Park Ave 5th Fl
New York NY 10022

Jan Lowe
Long Dist Consolidated Billing Co
145 S Livernois Rd #199
Rochester MI 48307-1837

MCImetro Access Transmission Services
1801 Pennsylvania Ave NW
Washington DC 20006

Carolyn Fodor
MIDCOM Communications Inc
26913 Northwestern Hwy #165
Southfield MI 48034

Mid-Rivers Telephone Coop Inc
P O Box 280
Circle MT 59215

Mark Wilhelmi
Midstate Telephone Co
PO Box 400
Stanley ND 58784-0400

Mike Strand
MITS
PO Box 5237
Helena MT 59604-5237

Dave Crothers
NDATC
Box 1144
Mandan ND 58554-1144

Sharon Meinhart
NetLogix Telecom Inc
501 Bath St
Santa Barbara CA 93101

Sandra Adams
NewPath Holdings Inc
4364 114th St
Des Moines IA 50322

Nextel West Corp
2001 Edmund Halley Dr
Reston VA 20191-3436

Holly Sasscer
Operator Communications Inc
3530 Forest Ln Ste 200
Dallas TX 75234-7910

Pamcomm
P O Box 5200
Sioux Falls SD 57117-5200

Primus Telecommunications Inc
1700 Old Meadow Rd 3rd Fl
McLean VA 22102

Quintelco Inc
1 Blue Hill Plaza
Pearl River NY 10965

Dean Polkow
RCC Network Inc
PO Box 2000
Alexandria MN 56308-2000

Gene Sloan
Reservation Telephone Cooperative
Parshall ND 58770

Skyland Technologies Inc
P O Box 5237
Helena MT 59604-5237

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Kansas City MO 64114

Randy Burckhard
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Roswell GA 30076

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Parcel Consultants Inc
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Jan Sebby
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RCN Long Distance Company
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Princeton NJ 08540

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NewPath Holdings Inc
4364 114th St
Des Moines IA 50322
Lisa Dabkowski
SNET America Inc
6 Devine St 1st Fl
North Haven CT 06743

SRT Communications Inc
P O Box 789
Minot ND 58702-0789

Harris Saele
T P C Inc
PO Box 180
Devils Lake ND 58301-0180

Target Telecom Inc
1515 S Federal Hwy Ste 400
Boca Raton FL 33432-7451

Jack Medaris
Telco Partners Inc
484 Norristown Rd Ste 123
Blue Bell PA 19422

Tele-Tech Inc
2900 W 11th St
Sioux Falls SD 57104-3660

T-Netix Inc
67 Inverness Drive E
Englewood CO 80112

Charles Steese
U S WEST
1801 California St Ste 5100
Denver CO 80202

Dick Boyer
U S West Interprise America Inc
1999 Bdwy Rm 700
Denver CO 80202

Sam Billingsley
United States Advanced Network Inc
3000 Nrothwoods Pkwy Ste 140
Norcross GA 30071

Dennis Houston
Universal Network Services of ND
1572 North Batavia St Ste 1A
Orange CA 92867

USBG Inc
5601 W 120th St
Alsip IL 60658

Randy Houdek
Venture Communications Inc
PO Box 157
Highmore SD 57345-0157

Regulatory Analyst
Technologies Management Inc
PO Drawer 200
Winter Park FL 32790-0200

Al Bosch
Tele-Beep Company
PO Box 7072
Bismarck ND 58502-7072

Liz Petroni
Teltrust Comm Services Inc
401 N 5600 W
Salt Lake City UT 84116-3753

Kenneth Carlson
Turtle Mountain Communications
PO Box 729
Langdon ND 58249-0729

Richard Alyanak
U S WEST Communications Inc
1801 California St Rm 4700
Denver CO 80202

Giuseppe Vitale
UKI Communications Inc
500 N Rainbow Blvd Ste 300
Las Vegas NV 89107

Kenneth Carlson
United Telephone Mut Aid Corp
Langdon ND 58249

Telecomm Dept
University of North Dakota
Box 8193
Grand Forks ND 58202-7141

Val-Ed Joint Venture LLP
150 2nd St SW
Perham MN 56573

Mick Grosz
West River Communications Inc
PO Box 467
Hazen ND 58545-0467

Doris Cooper
West River Long Distance Co
PO Box 467
Hazen ND 58545-0467

Mick Grosz
West River Telecomm Coop
PO Box 467
Hazen ND 58545-0467

Western CLEC Corporation
3650 131st Ave SE #400
Bellevue WA 98006

Z-Tel Communications Inc
601 S Harbour Island Blvd Ste 220
Tampa FL 33602-5925

PU-2434-00-602

Copies To:

State Library (8 copies)

Historical Society

Associated Press

Helbling, Sharon D.

From: Helbling, Sharon D.

Sent: Wednesday, November 22, 2000 3:15 PM

To: ndna (E-mail)

Subject: Attached Notice of Opportunity for Hearing and Notice of Opportunity to File Written Comments

Please have the attached Notice of Opportunity for Hearing and Notice of Opportunity to File Written Comments published as a legal publication in the next issue of the ten North Dakota daily newspapers, and run it as a "News Item Only" article as well.

You can send the bill directly to the Public Service Commission along with a tear sheet for billing purposes.

If you have any questions, please call me at 328-4076.

Thank you.

Sharon Helbling
Public Utilities Division

5 **PU-2434-00-602** Pages: 1

Notice E-mailed to NDNA requesting
publication
by Public Service Commission

11/22/2000

CC: Comm Legal Ilona Jerry

11/22/2000

MOTION

DATE 11-22-00
KME

November 22, 2000

**FairPoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity**

Case No. PU-2434-00-602

I move the Commission issue a Notice of Opportunity for Hearing in the application of FairPoint Communications Solutions Corp. for Certificates of Public Convenience and Necessity to provide local exchange telecommunications services in all exchanges currently served by U S WEST and interexchange telecommunications services throughout North Dakota, Case No. PU-2434-00-602.

JRL/sdh

000602-2.doc

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Fairpoint Communications Solutions Corp.
Local Exchange/Interexchange
Public Convenience and Necessity**

Case No. PU-2434-00-602

NOTICE OF OPPORTUNITY FOR HEARING

November 22, 2000

On November 14, 2000, Fairpoint Communications Solutions Corp. of Charlotte, North Carolina filed an application for certificates of public convenience and necessity to provide competitive facilities-based local exchange telecommunications services in all exchanges currently served by U S WEST Communications, Inc. and interexchange telecommunications services throughout North Dakota.


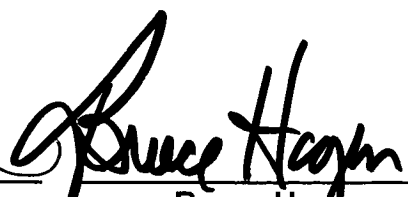

The issues to be considered in this matter are:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. The technical, financial and managerial ability of the applicant to provide service.

Those interested are invited to comment on this application in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearings must be received by **December 28, 2000**. If deemed appropriate, the Commission can determine the matter without hearing.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Jon Mielke, Executive Secretary.

PUBLIC SERVICE COMMISSION

 Susan E. Wefald Commissioner	 Bruce Hagen President	 Leo M. Reinbold Commissioner
---	--	---



Public Service Commission
State of North Dakota

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
e-mail: sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

COMMISSIONERS

Bruce Hagen
President
Susan E. Wefald
Leo M. Reinbold

Executive Secretary
Jon H. Mielke

November 14, 2000

Chad Pifer
FairPoint Communications
6324 Fairview Rd 4th Fl
Charlotte NC 28210

Dear Mr. Pifer:

In an earlier conversation with Mike Diller you were advised that "CONFIDENTIAL" information you included with the September 26th filing of FairPoint's application for Certificate of Public Convenience and Necessity was not necessary. Therefore, as you and I discussed in our phone conversation this afternoon, I am returning that information.

Also, after further reviewing your application, I notice you are asking for authority to provide resold local and interexchange telecommunications services. That is a separate process, so I am including an Application for Certificate of Registration form. Please complete that form and return it. As soon as we receive that, we can process the reseller portion of the application.

If you have any questions, please call me at 701-328-4076. Thank you for your cooperation.

Sincerely,

Sharon Helbling
Public Utilities Division

sdh

Enclosures

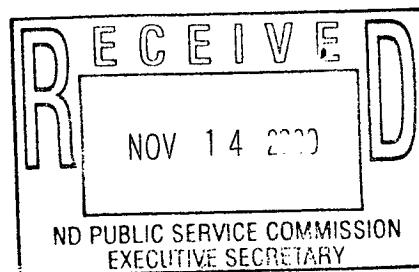
2 PU-2434-00-602 Pages: 1

Letter re return of confidential information

by FairPoint Communications Solutions Corp.

11/14/2000

CC: Comm Legal Ilona Jerry



November 13, 2000

Mr. Jon H. Mielke
Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480

RE: FairPoint Communications Solutions Corp. ("FairPoint") Application for Certification of Public Convenience and Necessity to Provide Local Exchange and Interexchange Carrier Telecommunications Services in North Dakota

Dear Mr. Mielke:

Per your request, enclosed is an original copy of FairPoint's Certificate of Good Standing as issued by the North Dakota Secretary of State's Office. If you have any questions please contact me at 704-414-2565.

Sincerely,

Chad Pifer
Regulatory Manager

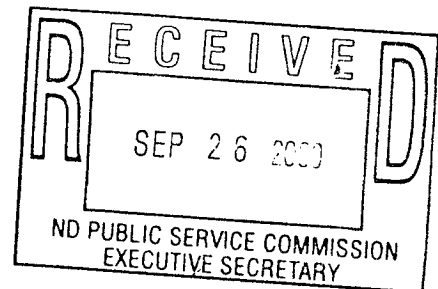
Enclosure

Chad Pifer, Esq.
Regulatory Manager
6324 Fairview Road
Fourth Floor
Charlotte, NC 28210
Phone: (704) 414-2565
Fax: (704) 414-2505
Email: cpifer@fairpoint.com



September 22, 2000

Mr. Jon H. Mielke
Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480



Re: FairPoint Communications Solutions Corp. ("FairPoint") Application for Certificate of Public Convenience and Necessity to Provide Local Exchange and Interexchange Carrier Telecommunications Services in the State of North Dakota

Dear Sir or Madam::

Enclosed herein is an original and seven (7) copies of FairPoint's Application for Certificate of Public Convenience and Necessity to Provide Local Exchange and Interexchange Carrier Telecommunications Services in the State of North Dakota.

As part of its original application FairPoint, a privately held company, has provided in Attachment 6, Schedule 1 and Schedule 2, its most recent income statement and balance sheet in a separate envelope marked "CONFIDENTIAL". These financial statements are not public information, are to be treated as Trade Secret Information, and are to be kept confidential from public inspection, examination, and copying. These attachments are only with the original and not with the seven (7) copies. It is my understanding that by placing these documents in a sealed envelope marked CONFIDENTIAL and by notifying you in a cover letter that we desire that such information remain confidential, your agency will honor that request. If this is not the case, please notify me immediately.

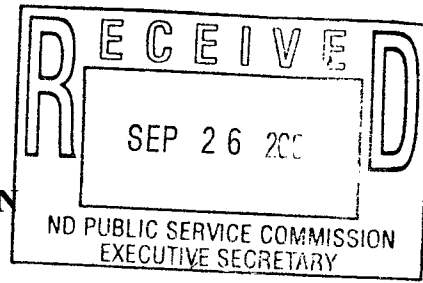
FairPoint would like to expedite its certification process in any feasible manner. In that regard, FairPoint request the earliest available hearing date and we would be happy to file pre-filed testimony in the near future and provide the Commission with any other information which would aid in obtaining certification.

If you have any questions or concerns please call me at 704-414-2565.

Very truly yours,

A handwritten signature in black ink that reads "Chad Pifer". The signature is written in a cursive, flowing style.

Chad Pifer, Esq.
Regulatory Manager



**BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

IN RE:)
)
FAIRPOINT COMMUNICATIONS)
SOLUTIONS CORP. APPLICATION FOR)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO PROVIDE)
TELECOMMUNICATIONS SERVICES)

DOCKET NO.: _____

**APPLICATION AND REQUEST FOR AUTHORITY
OF FAIRPOINT COMMUNICATIONS SOLUTIONS CORP.**

FairPoint Communications Solutions Corp., f/k/a FairPoint Communications Corp., (“FairPoint”), by its undersigned counsel and pursuant to North Dakota Century Code Chapter 49 *et seq.*; the North Dakota Public Service Commission’s (“Commission”) Rules of Practice and Procedure; and the federal Telecommunications Act of 1996, 47 U.S.C 151 *et seq.*, hereby requests the Commission to issue FairPoint a certificate of public convenience and necessity authorizing FairPoint to operate as a provider of: 1) resold and facilities-based, switched, and dedicated local exchange telecommunications services; and 2) interexchange telecommunications services. FairPoint requests certification in North Dakota to provide telecommunications services in exchanges in which U S West Communications, Inc. (USWC) is the incumbent local exchange carrier (“ILEC”).

INTRODUCTION

FairPoint is wholly-owned by FairPoint Communications Inc., f/k/a MJD Communications, Inc., (“Parent”). Parent was formed to acquire and operate electronic transport companies, with the long-term objective of each acquired company becoming the preferred

provider of telecommunications and video transmission services in its area. Through its affiliates, Parent currently owns approximately 300,000 access lines. A list of the subsidiaries and affiliated companies of Parent is provided as Attachment 1.

In early 1998, Parent launched its competitive telecommunications business, FairPoint, by choosing to compete for business customers in Tier IV and select Tier III markets. FairPoint's mission is to develop and maintain the highest level of sale and customer service, integrated software, and unparalleled employee commitment to excellence, to become the leading and best supplier of telecommunications services within its targeted geographic area.

FairPoint intends to operate in North Dakota as a competitive local exchange and interexchange carrier of telecommunications services. Currently, FairPoint is authorized to offer resale and facilities-based local exchange telecommunications services in thirty-one (31) states; applications are pending before fifteen (15) states.¹ FairPoint is authorized to offer interexchange carrier telecommunications services in twenty-nine (29) states, and applications are pending in seventeen (17) states.² In no instance has any application been denied or rejected.

Initially, FairPoint plans to provide local services in North Dakota through the resale of services purchased from USWC, and eventually deploy its own network to provide facilities-based local exchange telecommunications services.

¹ FairPoint is authorized to provide resale and facilities-based local telecommunications services in Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Montana, New Hampshire, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, Texas, Vermont, Washington, West Virginia. Applications are pending in Arizona, California, Colorado, Illinois, Iowa, Michigan, Minnesota, Nebraska, Nevada, New Jersey, New Mexico, South Dakota, Tennessee, Wisconsin, and Wyoming.

² FairPoint has been authorized to provide intrastate interexchange services in Alabama, Arkansas, Connecticut, Delaware, Florida, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Montana, New Hampshire, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, Texas, Vermont, Washington, West Virginia. Applications are pending in Arizona, California, Colorado, Georgia, Illinois, Iowa, Michigan, Minnesota, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, South Dakota, Tennessee, Wisconsin and Wyoming.

INFORMATION REQUIRED BY THE COMMISSION

FairPoint provides the following information to meet the requirements as set forth by the State of North Dakota.

1. Name, Address and Form of Business

The full legal name and address of FairPoint is:

FairPoint Communications Solutions Corp.
6324 Fairview Road
Suite 400
Charlotte, North Carolina 28210
Federal Tax ID Number: 621729497
Telephone: (704) 414-2500
Facsimile: (704) 414-2501

FairPoint Communications Solutions Corp., f/k/a FairPoint Communications Corp. changed its name effective April 28, 2000. FairPoint is a corporation organized under the laws of the State of Delaware. FairPoint was incorporated on January 23, 1998, with its principal place of business in Charlotte, North Carolina. FairPoint's articles of incorporation are attached as Attachment 2. A copy of the authorization to conduct business in North Dakota issued by the Secretary of State is attached as Attachment 3.

2. Directors and Officers

A list of FairPoint's directors and officers are attached as Attachment 4. FairPoint's directors and officers have the necessary managerial and technical resources and qualifications necessary to execute its business plan, to provide its proposed telecommunications services, and to operate and maintain FairPoint's facilities over which such services will be deployed.

FairPoint's management team has extensive experience in the telecommunications industry. A brief statement identifying the professional qualifications of the management team who will be directly involved in FairPoint's North Dakota operations is identified in Attachment 5.

3. Telecommunications Services.

FairPoint will lease, or subscribe to, and resell various types of exchange and carrier access lines, including unbundled local loops, and intra-city, intra-LATA, inter-LATA, and interstate services and facilities of communications common carriers and other entities. Services and facilities to be resold may include Message Telephone Service, Wide Area Telephone Service ("WATS"), WATS-like services, Foreign Exchange Service, private lines, tie lines, switched and special access service, cellular service, PCS service, local switched service, unbundled local links or ports, switching services, information services, Internet services and other services and facilities of communications common carriers and other entities.

FairPoint may construct, lease or operate its own transmission and switching facilities, utilizing fiber optic, copper, carrier, microwave, digital, analog and other technologies, to connect customers to inter-exchange carrier Points-of-Presence or to other customers on an intra-city, intra-LATA or inter-LATA basis.

Facilities may be used for both switched and private line traffic and will include the provision of local exchange service to business and residential customers. The facilities constructed by FairPoint may be used separately or in conjunction with similar facilities provided by or obtained from other entities. In the case of small and medium-size customers, FairPoint's services will afford such customers the opportunity to acquire many of the services, benefits and cost savings normally available only to large-scale telecommunications users.

FairPoint's services will not adversely impact the public interest in the State of North Dakota because Applicant will enhance competition, provide new services, yield greater efficiencies, and introduce new technologies in telecommunications. The entry of FairPoint into the resale common carrier business, and the facilities-based switched and private line business will enhance competition in the provision of telephone services in the State of North Dakota. FairPoint proposes to acquire and resell various voice and data communications services offered by communications common carriers, and other entities, and to package and provide these services for the specialized functions and needs of its customers. In particular, services will be acquired by FairPoint from underlying communications common carriers and other entities at bulk or unbundled rates and will be resold to FairPoint's customers, separately or in conjunction with FairPoint's facilities-based service, so that customers will benefit from reduced pricing and new or improved services.

4. Service Territory

FairPoint seeks certification to provide local exchange and intraLATA telecommunications services throughout USWC exchanges in the State of North Dakota. FairPoint intends to initially offer resold telecommunications in several North Dakota communities, including Bismarck, Dickinson, Fargo, Grand Forks, Jamestown, and Williston. As consumer demand for FairPoint's services develops in other areas of the state of North Dakota, FairPoint will expand its operations accordingly. Upon expanding its service territory, FairPoint will notify the Commission of its expansion plans.

5. Financial Information

FairPoint is financially qualified to offer the telecommunications services requested in its service territory. Through the strength of its Parent corporation, FairPoint believes it has access to ample capital to provide the services proposed in North Dakota. FairPoint's Parent corporation will continue to provide, when necessary, the financing of the operations for FairPoint. Attached as Attachment 6 are the audited financial statements of FairPoint, including the most recent income statement and balance sheet of FairPoint. Schedules 1 and 2 of Attachment 6 have been filed under separate cover in an envelope marked "CONFIDENTIAL". FairPoint requests that these financial statements related specifically to FairPoint be treated as Trade Secret information protected from disclosure. FairPoint requests that such information be protected from public inspection, examination, and copying. As a privately held company, FairPoint does not issue an annual report. Attached, as Schedule 3 and 4 respectively of Attachment 6 is the Parent company's most recent 10-K and 10-Q report.

6. Tariff Filing.

FairPoint will offer its services pursuant to tariff on a non-discriminatory basis. A draft of FairPoint's proposed tariffs describing its services, rates and terms and conditions are attached hereto as Attachment 7, Schedule 1 and 2. FairPoint intends on requiring advance deposits from its customers. FairPoint expects to have rates that are competitive with both the ILECs and IXCs. FairPoint will submit a final tariff upon the granting of the authority it seeks.

7. Company Contacts

a. General Business and Regulatory Matters.

General business and regulatory inquiries should be directed to the attention of:

Chad Pifer, Esq.
Southeast Region Regulatory Manager
FairPoint Communications Solutions Corp.
6324 Fairview Road
Suite 400
Charlotte, North Carolina 28210
Telephone: (704) 414-2565
Facsimile: (704) 414-2505

b. Customer Inquiries & Complaints; Repair, Maintenance & Service Issues.

FairPoint maintains a toll-free number (888-235-3242) through which FairPoint customers can reach our Customer Services department twenty-four (24) hours a day, seven (7) days a week for assistance with all products or billing inquiries, changes or additions to their accounts, trouble reports or service complaints.

c. Network Issues.

Inquires concerning network issues should be directed to the attention of:

Ted Huff
Senior Vice President of Engineering & Operations
FairPoint Communications Solutions Corp.
6060 J.A. Jones Drive
Suite 700
Charlotte, North Carolina
Telephone: (704) 414-5300
Facsimile: (704) 414-5301

8. Contacts with Incumbent Local Exchange Company; Interconnection Agreements.

FairPoint has not informed USWC of its intent to provide competitive local exchange service in North Dakota. To date, FairPoint has not initiated interconnection negotiations with USWC in North Dakota, and therefore, does not have any interconnection contracts completed for the provision of local exchange service. Upon submitting to USWC a request to commence negotiations, FairPoint will notify the Commission. Once an agreement has been negotiated, FairPoint will file the agreement with the Commission, for its approval in accordance with Section 252 of the Telecommunications Act of 1996. FairPoint will file such agreements for the Commission approval in accordance with Section 252 of the Telecommunications Act of 1996.

9. Regulatory and Legal Actions from Other Jurisdictions.

Attached, as Attachment 8 is a list and status (indicating the outcome) of any previous and pending state and federal commission complaints.

10. Compliance with Commission Rules.

Attachment 9 is a verification signed by Brady Buckley, President and Chief Executive Officer, attesting that FairPoint has reviewed all Commission rules and regulations and agrees to fully comply with all applicable, relevant provisions of the Commission rules. At this time, FairPoint does not request a waiver of particular rules, but reserves the right to request such waivers from time to time.

WHEREFORE FairPoint Communications Solutions Corp. requests that the North Dakota Public Service Commission enter an Order granting a certificate of public convenience and necessity authorizing FairPoint Communications Solutions Corp. to provide local exchange and interexchange telecommunications services in North Dakota. FairPoint Communications Solutions Corp. possesses the sufficient technical, financial, and managerial resources to provide safe, adequate, and reliable telecommunications services set forth in this application within the specified geographic area.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Chad Pifer". The signature is fluid and cursive, with a horizontal line above the name.


Chad Pifer, Esq.
Southeast Region Regulatory Manager
FairPoint Communications Solutions Corp.
6324 Fairview Road
Suite 400
Charlotte, North Carolina 28210
Tel.: (704) 414-2565
Fax: (704) 414-2505

AFFIDAVIT OF BRADY BUCKLEY

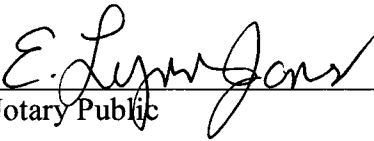
State of North Carolina)
)
County of Mecklenberg)

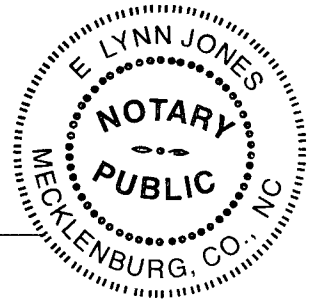
I, G. Brady Buckley, being first duly sworn, depose and state that I am President and Chief Executive Officer of FairPoint Communications Solutions Corp., the Applicant in the subject proceeding; that I am authorized to make this Verification on its behalf; that I have read the foregoing application and exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information, and belief.

Executed on this ____ day of September, 2000.

By: 
Name: G. Brady Buckley
Title: President and Chief Executive Officer
Company: FairPoint Communications Solutions Corp.

Subscribed to and sworn before me this 21 day of September, 2000.


Notary Public



My Commission expires on 2/2/2004.

FAIRPOINT COMMUNICATIONS SOLUTIONS CORP.

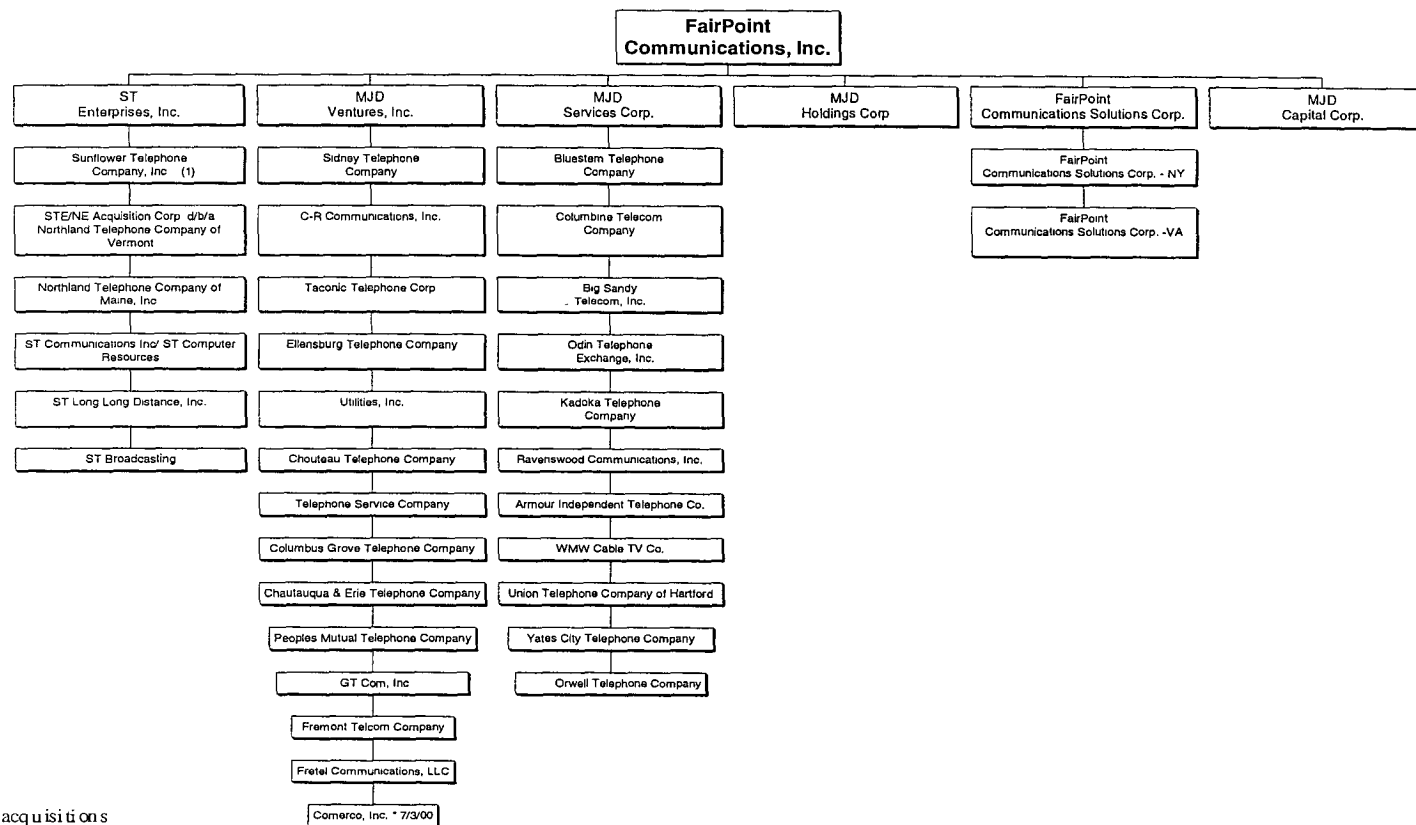
Attachment List

Attachment 1	FairPoint Communications Inc.'s Subsidiaries & Affiliates
Attachment 2	Articles of Incorporation
Attachment 3	Certificate of Authority to Conduct Business in North Dakota
Attachment 4	Officers and Directors
Attachment 5	Profiles of Senior Management
Attachment 6	Financial Statements
	Schedule 1 - FairPoint Communications Solutions Income Statement (<i>Confidential</i>)
	Schedule 2 - FairPoint Communications Solutions Balance Sheet (<i>Confidential</i>)
	Schedule 3 - FairPoint Communications Inc. 10K Report as of December 31, 1999
	Schedule 4 - FairPoint Communications Inc. 10Q Report as of June 30, 2000
Attachment 7	Illustrative Tariff
	Schedule 1 - FairPoint Communications Solutions Corp. North Dakota P.S.C. Tariff No. 1
	Schedule 2 - FairPoint Communications Solutions Corp. North Dakota P.S.C. Tariff No. 2
Attachment 8	List and Status of any Previous and Pending State and Federal Commission Complaints
Attachment 9	Affidavit of G. Brady Buckley

ATTACHMENT 1

FairPoint Communications, Inc.

Corporate Structure



* pending acquisitions

Minority Interests:

(1) Two shares (out of 686) owned by Kansas family

ATTACHMENT 2

State of Delaware

PAGE 1

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "FAIRPOINT COMMUNICATIONS CORP." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE TWENTY-THIRD DAY OF JANUARY, A.D. 1998, AT 11:45 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "MJD TELECHOICE CORP." TO "FAIRPOINT COMMUNICATIONS CORP.", FILED THE SEVENTEENTH DAY OF NOVEMBER, A.D. 1998, AT 12 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-NINTH DAY OF JANUARY, A.D. 1999, AT 10 O'CLOCK A.M.



A handwritten signature in cursive script, reading "Edward J. Freel".

Edward J. Freel, Secretary of State

2849974 8100H

AUTHENTICATION: 0081098

991485146

DATE: 11-15-99

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "MJD TELECHOICE CORP.", FILED IN THIS OFFICE ON THE TWENTY-THIRD DAY OF JANUARY, A.D. 1998, AT 11:45 O'CLOCK A.M.



A handwritten signature in cursive script, reading "Edward J. Freel".

Edward J. Freel, Secretary of State

AUTHENTICATION:

2849974 8100

DATE: 8991843

981114324

03-25-98

CERTIFICATE OF INCORPORATION

1-23-98

OF

MJD TELECHOICE CORP.

I.

The name of the corporation (the "Corporation") is MJD TeleChoice Corp.

II.

The address of the registered office of the Corporation in the State of Delaware is the Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801, and the name of its registered agent at that address is The Corporation Trust Company.

III.

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

IV.

The total number of shares of stock which the Corporation shall have authority to issue is one hundred (100) shares of Common Stock comprising one class and the par value of each share is \$.01.

V.

The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the Bylaws of the Corporation.

VI.

The Corporation shall have perpetual existence.

VII.

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of the General Corporation Law of the State of Delaware or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of the General Corporation Law of the State of Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

VIII.

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind the Bylaws of the Corporation, subject to any specific limitation on such power provided by any Bylaws adopted by the stockholders.

IX.

Election of the Corporation's directors at an annual or special meeting of stockholders need not be by written ballot unless the Bylaws of the Corporation so provide.

X.

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this Article X shall not eliminate or limit the liability of a director (i) for any

breach of such director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which such director derives an improper personal benefit. If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended.

XI.

The Corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware (or any successor section thereof), as amended from time to time, (i) indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section and (ii) advance expenses to any and all said persons. The indemnification and advancement of expenses provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such offices, and shall continue as to persons who have ceased to be directors, officers, employees or agents and shall inure to the benefit of the heirs, executors and administrators of such persons.

XII.

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

XIII.

The name and mailing address of the sole incorporator of the Corporation are:

<u>Name</u>	<u>Mailing Address</u>
Shirley J. Linn	Underwood Kinsey Warren & Tucker, P.A. 201 South College Street Suite 2020 Charlotte, NC 28244-2020

I, the undersigned, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 22nd day of January, 1998.



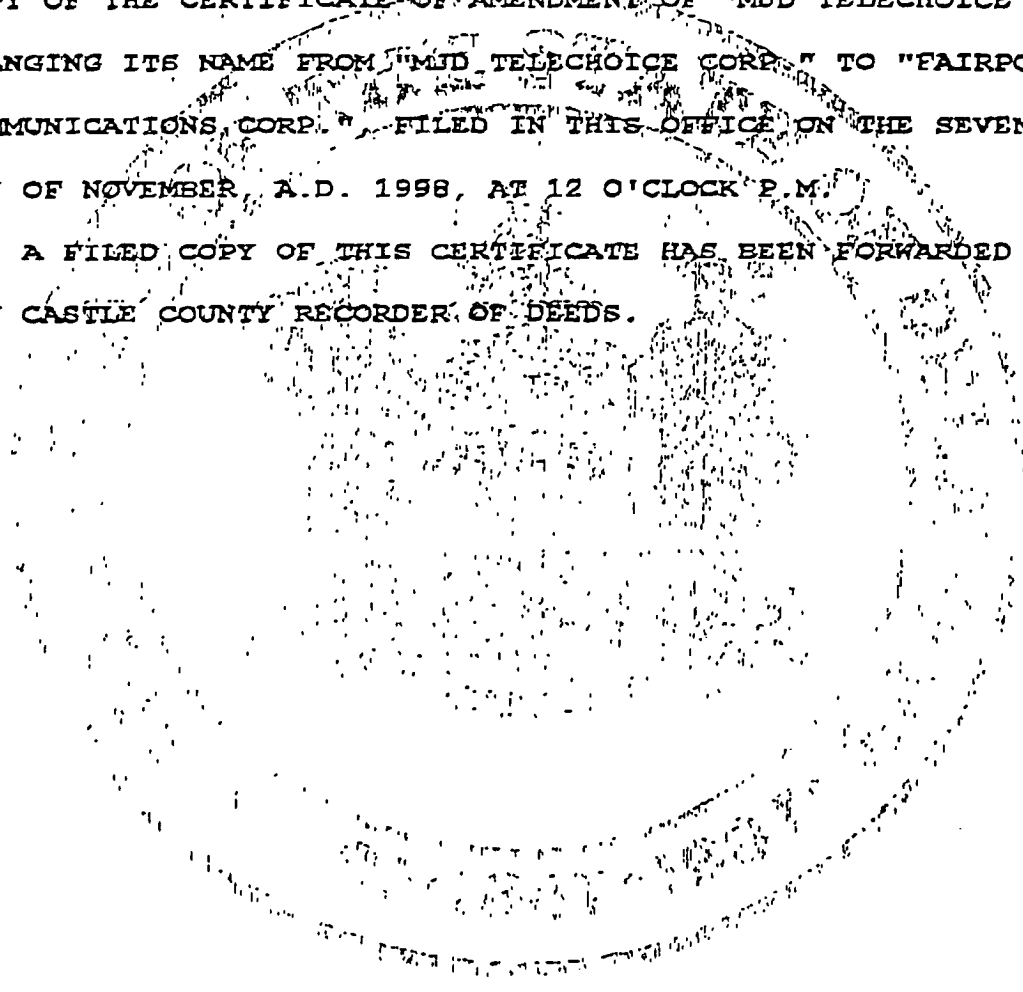
Name: SHIRLEY J. LINN, Incorporator

State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "MJD TELECHOICE CORP.", CHANGING ITS NAME FROM "MJD TELECHOICE CORP." TO "FAIRPOINT COMMUNICATIONS CORP." FILED IN THIS OFFICE ON THE SEVENTEENTH DAY OF NOVEMBER, A.D. 1998, AT 12 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



Edward J. Freel

Edward J. Freel, Secretary of State

2849974 8100

981441798

AUTHENTICATION: 9411410

DATE: 11-18-98

11-17-98

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF INCORPORATION
OF
MJD TELECHOICE CORP.

MJD TeleChoice Corp., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

RESOLVED, that the Certificate of Incorporation of MJD TeleChoice Corp. be amended by changing the Article numbered "I" thereof so that, as amended, said Article shall be and read as follows:

"I. The name of the corporation (the "Corporation") is FairPoint Communications Corp."

SECOND: That in lieu of a meeting and vote of stockholders, the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said MJD TeleChoice Corp. has caused this certificate of amendment to be signed by Shirley J. Linn, its Assistant Secretary, as of the 16th day of November, 1998.

MJD TELECHOICE CORP.

By: Shirley J. Linn
SHIRLEY J. LINN, Assistant Secretary

172759

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF INCORPORATION
OF
FAIRPOINT COMMUNICATIONS CORP.

FairPoint Communications Corp., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

The Corporation's Certificate of Incorporation is to be amended by deleting Article IV in its entirety and replacing it with the following (the "Amendment"):

IV.


The total number of shares of stock which the Corporation shall have authority to issue is ten million (10,000,000) shares of Common Stock comprising one class with a par value of one cent (\$0.01) per share (the "Common Stock").

SECOND: That in lieu of a meeting and vote of stockholders, the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said FairPoint Communications Corp. has caused this certificate of amendment to be signed by Walter E. Leach, Jr., its Senior Vice President, as of the 29th day of December, 1998.

FAIRPOINT COMMUNICATIONS CORP.

By: 
WALTER E. LEACH, JR., Senior
Vice President

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "FAIRPOINT COMMUNICATIONS CORP.", CHANGING ITS NAME FROM "FAIRPOINT COMMUNICATIONS CORP." TO "FAIRPOINT COMMUNICATIONS SOLUTIONS CORP.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF APRIL, A.D. 2000, AT 10 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



Handwritten signature of Edward J. Freel in cursive script.

Edward J. Freel, Secretary of State

2849974 8100

001218027

AUTHENTICATION: 0408808

DATE: 04-28-00

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
FAIRPOINT COMMUNICATIONS CORP.**


FairPoint Communications Corp., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. The amendment to the Corporation's Certificate of Incorporation set forth below was duly adopted in accordance with the provisions of Section 242 and has been consented to in writing by the stockholders of the Corporation, and written notice has been given, in accordance with Section 228 of the General Corporation Law of the State of Delaware.


2. Article 1 of the Corporation's Certificate of Incorporation is amended to read in its entirety as follows:

"The name of the Corporation is FairPoint Communications Solutions Corp."

IN WITNESS WHEREOF, FairPoint Communications Corp. has caused this Certificate to be executed by G. Brady Buckley, its Chairman/CEO, and attested by Walter E. Leach, Jr., its Secretary, as of this 26th day of April, 2000.


Name: G. Brady Buckley
Title: Chairman/CEO

Attest:

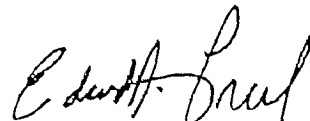

Name: Walter E. Leach, Jr.
Title: Secretary

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "MJD COMMUNICATIONS, INC.", CHANGING ITS NAME FROM "MJD COMMUNICATIONS, INC." TO "FAIRPOINT COMMUNICATIONS, INC.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF APRIL, A.D. 2000, AT 10:01 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.




Edward J. Freel, Secretary of State

2342210 8100

001218055

AUTHENTICATION: 0408841

DATE: 04-28-00

**SIXTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
MJD COMMUNICATIONS, INC.**

MJD Communications, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is MJD Communications, Inc.

2. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 30, 1993.

3. This Sixth Amended and Restated Certificate of Incorporation (the "Amended and Restated Certificate") has been duly adopted by the Board of Directors and the stockholders of the Corporation in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL"). The text of the Amended and Restated Certificate of Incorporation as amended and restated shall read in full as follows:

FIRST: The name of the Corporation is FairPoint Communications, Inc.

SECOND: The address of its registered office in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, in the City of Wilmington, New Castle County, Delaware 19801. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is Five Hundred Million (500,000,000) shares of which (i) One Hundred Million (100,000,000) shares shall be designated as Preferred Stock, par value

\$0.01 per share (the "Preferred Stock"), and (ii) Four Hundred Million (400,000,000) shares shall be designated as Common Stock, par value \$0.01 per share (the "Common Stock"). The Common Stock shall consist of three series: (A) 236,200,000 shares of Class A Common Stock (the "Class A Common Stock"), (B) 150,000,000 shares of Class B Common Stock (the "Class B Common Stock") and (C) 13,800,000 shares of Class C Common Stock (the "Class C Common Stock"). The Preferred Stock shall initially consist of one (1) series, Series D Non-Voting Convertible Preferred Stock ("Series D Preferred Stock"), which Series D Preferred Stock shall have the rights, preferences, privileges and restrictions set forth in the Certificate of Designation of Series D Preferred Stock of the Corporation dated as of January 19, 2000 (the "Series D Certificate of Designation").

A. COMMON STOCK

(1) Rights Generally. Except as provided herein, all shares of Class A Common Stock, Class B Common Stock and Class C Common Stock shall be identical and entitle the holders thereof to the same rights and privileges.

(2) Voting Rights of Common Stock. The holders of Class A Common Stock shall be entitled to one vote per share on all matters with respect to which they have the right to vote. The holders of Class B Common Stock and Class C Common Stock shall not be entitled to any voting rights, except as required by the DGCL.

(3) Dividend Rights of Common Stock and Stock Splits. Whenever dividends upon Preferred Stock at the time outstanding, to the extent of any preference to which such stock is entitled, shall have been paid in full, or declared and set apart for payment, for all current and, if such Preferred Stock shall have cumulative rights, all past dividend periods, and after the provisions for any sinking or purchase fund or funds for any series of Preferred Stock shall have been complied with, the Board of Directors may declare and pay dividends on the Common Stock, payable in cash or otherwise, and the holders of shares of Preferred Stock shall not be entitled to share therein, subject to the certificate of designation for any outstanding series of Preferred Stock, provided that, if dividends are declared on the Common Stock which are payable in shares of Common Stock, dividends shall be declared which are payable at the same rate on each class of Common Stock with dividends payable in shares of Class A Common Stock payable to holders of shares of Class A Common Stock, dividends payable in shares of Class B Common Stock shall be payable to holders of shares of Class B Common Stock and dividends payable in shares of Class C Common Stock shall be payable to holders of shares of Class C Common Stock; and provided further, that no dividends payable in shares of Class A Common Stock, Class

Class B Common Stock or Class C Common Stock shall be declared unless an adequate number of authorized but unissued shares of Class A Common Stock, Class B Common Stock or Class C Common Stock, as applicable, is available as of the date of such declaration. No subdivision (by any stock split, stock dividend, recapitalization or otherwise) and no combination (by reverse stock split or otherwise) of the Class A Common Stock may occur unless the Class B Common Stock and Class C Common Stock are subdivided or combined in the same manner, no subdivision (by any stock split, stock dividend, recapitalization or otherwise) and no combination (by reverse stock split or otherwise) of the Class B Common Stock may occur unless the Class A Common Stock and the Class C Common Stock are subdivided or combined in the same manner and no subdivision (by any stock split, stock dividend, recapitalization or otherwise) and no combination (by reverse stock split or otherwise) of the Class C Common Stock may occur unless the Class A Common Stock and the Class B Common Stock are subdivided or combined in the same manner.

(4) Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation or upon the distribution of assets of the Corporation, all assets and funds of the Corporation remaining, after the payment to the holders of Preferred Stock of the full preferential amounts to which they shall be entitled pursuant to the certificate of designation for such series of Preferred Stock, shall be divided and distributed among the holders of the Common Stock ratably.

(5) Conversion Rights.

(A) Right to Convert. The holders of Class B Common Stock and Class C Common Stock shall not have the right to convert their shares of Class B Common Stock or Class C Common Stock, as applicable, into shares of Class A Common Stock at their option.

(B) Automatic Conversion. Each share of Class B Common Stock shall be converted into one share of Class A Common Stock, which share shall be duly authorized, validly issued, fully paid and non-assessable automatically upon receipt of all governmental approvals necessary to effectuate a change of control, as contemplated by that certain Stock Purchase Agreement, dated as of January 4, 2000, by and among the Corporation and certain other parties thereto, as such agreement may from time to time be amended in accordance with its terms (the "Stock Purchase Agreement"). Upon the occurrence of the consummation by the Corporation of an offering of its Class A Common Stock to the public pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), in which the Corporation raises at least \$150 million in gross proceeds or any Conversion Event (as defined herein), each record holder of Class C Common Stock shall be entitled to convert into the same

number of shares of Class A Common Stock any or all of the shares of such holder's Class C Common Stock; provided that if the Corporation has not received all governmental approvals necessary to effectuate a change of control, as contemplated by the Stock Purchase Agreement then such shares shall not convert until such time as the shares of Class B Common Stock are automatically converted into shares of Class A Common Stock. For purposes hereof, (i) a "Conversion Event" shall mean any transfer of shares of Class C Common Stock to any person or persons who are not affiliates of the transferor, including, without limitation, pursuant to any public offering or public sale of securities of the Corporation (including a public offering registered under the Securities Act, and a public sale pursuant to Rule 144 under the Securities Act or any similar rule then in force), (ii) a "person" shall mean any natural person or any corporation, partnership, joint venture, trust, unincorporated organization and any other entity or organization and (iii) an "affiliate" with respect to any person, shall mean such person's spouse, parents, members of such person's family or such person's lineal descendants and any other person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. In addition, all of the Class C Common Stock may be automatically and mandatorily converted into the same number of shares of Class A Common Stock without any action on the part of any holder upon notice to such effect by the Corporation to the record holders of Class C Common Stock. In addition, in the event the Corporation enters into any merger or consolidation transaction or sells or transfers all or substantially all of its assets or consummates any form of recapitalization or reorganization in which the stockholders of the Corporation immediately preceding such transaction own less than a majority of the capital stock of the surviving entity immediately following such transaction, each record holder of Class C Common Stock shall be entitled to convert into the same number of shares of Class A Common Stock any or all of the shares of such holder's Class C Common Stock.

(C) Mechanics of Conversion. Each holder of Class B Common Stock or Class C Common Stock whose shares have automatically converted into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation. Thereupon the Corporation shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled (equal to one (1) share of Class A Common Stock for each share of Class B Common Stock or Class C Common Stock being converted) and shall promptly pay in cash all declared and unpaid dividends, if any, on the shares of Class B Common Stock or Class C Common Stock, as applicable, being converted, to and including the time of conversion. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Class B Common Stock or Class C Common Stock

to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

B. PREFERRED STOCK

1. Series of Preferred Stock. Authority is hereby expressly granted to the Board of Directors, subject to the provisions of this Article FOUR and the Series D Certificate of Designation, to authorize the issuance of one or more series of Preferred Stock and, with respect to each such series, to fix by resolution or resolutions providing for the issuance of such series:

(a) the distinctive designation of such series and the number of shares which shall constitute such series;

(b) the cumulative or noncumulative nature of the dividend, if any, to be paid on the shares of such series;

(c) the dividend rate or rates to which such shares shall be entitled and the restrictions, limitations and conditions upon the payment of such dividends, and date or dates from which such dividends, if declared, shall be payable, and whether arrearages on the payment of dividends will bear interest;

(d) whether any limitations or restrictions are to be imposed upon the declaration or payment of dividends on the Common Stock while any shares of such series of Preferred Stock are outstanding;

(e) whether or not the shares of such series shall be redeemable; the limitations and restrictions with respect to such redemptions (including whether or not the shares of such series shall be redeemable at the option of either the holder or the Corporation or upon the happening of a specified event); the manner of selecting shares of such series for redemption if less than all the shares are to be redeemed; the amount, if any, in addition to any accrued dividends thereon which the holder of shares of such series shall be entitled to receive upon the redemption thereof, which amount may vary at different redemption dates, may be subject to adjustment and may be different with respect to shares redeemed through the operation of any purchase, retirement or sinking fund and with respect to shares otherwise redeemed; and whether or not the shares of such series, if redeemable, shall be redeemable for cash, property, rights or other assets, including securities of the Corporation or of any other corporation;

(f) whether shares of such series shall rank senior to shares of the Common Stock with respect to the payment of dividends and the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Corporation, and the amount which the holders of shares of such series may be entitled to receive in addition to any accumulated dividends upon the voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Corporation, which amount may vary depending upon whether such liquidation, dissolution or winding-up of the affairs is voluntary or involuntary and, if voluntary, may vary at different dates or otherwise;

(g) whether the shares of such series shall be subject to the operation of a purchase, retirement or sinking fund, and if so, whether such purchase, retirement or sinking fund shall be cumulative or noncumulative, and the extent to the manner in which such funds shall be applied to the purchase or redemption of the shares of such series for retirement or for other purposes and the terms and provisions relative to the operation of said fund or funds;

(h) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or classes of capital stock, or of any other series of the same class of capital stock, and if so convertible or exchangeable, the price or prices or the rate or rates or the term or terms of conversion or exchange and the method, if any, of adjusting the same;

(i) the voting rights, if any, of such series, and whether such voting rights shall be contingent upon the happening of a specified event and whether such voting rights shall cease upon the happening of a specified event; and

(j) any other preferences, upon liquidation, dissolution, winding-up or otherwise and relative, participating, optional, or other special rights, and qualifications, limitations, or restrictions thereof not inconsistent with this Article FOUR, the Series D Certificate of Designation or any other provision of this Amended and Restated Certificate of Incorporation.

Subject to the Series D Certificate of Designation, the Board of Directors also shall have authority to change the designation of shares, or the relative rights, preferences and limitations of the shares of any theretofore established series of Preferred Stock, no share of which has been issued or is subject to any then outstanding warrant, right, call, option or similar right, and further, the Board of Directors shall have authority to increase or decrease the number of shares of any series previously determined by it (provided, however,

that the number of shares of any such series shall not be decreased to a number less than that of the shares of that series then outstanding).

FIFTH: The Corporation is to have perpetual existence.

SIXTH: The number of directors which shall constitute the whole Board of Directors shall be fixed by and in the manner provided in the Bylaws of the Corporation.

SEVENTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind the Bylaws of the Corporation.

EIGHTH: Election of directors at an annual or special meeting of the stockholders need not be by written ballot unless the Bylaws of the Corporation shall so provide.

NINTH: No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that this paragraph shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derives an improper personal benefit. If the General Corporation Law of the State of Delaware is amended after the date of filing of this Amended and Restated Certificate to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the full extent permitted by the General Corporation Law of the State of Delaware as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing in respect of any act or omission occurring prior to the time of such repeal or modification.

TENTH: The Corporation shall, to the full extent now or hereafter permitted by Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto.

ELEVENTH: If at any time any right, preference or limitation of the Common Stock or the Preferred Stock set forth in this Amended and Restated

Certificate is invalid, unlawful or incapable of being enforced by reason of any rule, law or public policy, all other rights, preferences and limitations set forth in this Amended and Restated Certificate (as so amended) which can be given effect without invalid, unlawful or unenforceable right, preference or limitation shall, nevertheless, remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other right, preference or limitation unless so expressed herein.

TWELFTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation."

IN WITNESS WHEREOF, this SIXTH Amended and Restated Certificate of Incorporation has been signed on this 26th day of April, 2000.

By: [Signature]
Name: W.E. LEXOR, JR.
Title: SUPS CFO

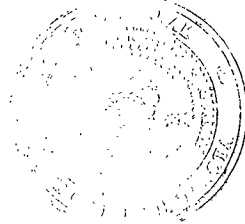
Attest:

By: [Signature]
Name: Matthew W. Hovey
Title: Vice President Finance & Treasurer

ATTACHMENT 3

State of North Dakota

SECRETARY OF STATE



CERTIFICATE OF AUTHORITY

OF

FAIRPOINT COMMUNICATIONS SOLUTIONS CORP.

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that an application of

FAIRPOINT COMMUNICATIONS SOLUTIONS CORP. for a Certificate of Authority to transact business in this State, duly signed and verified pursuant to the provisions of the North Dakota Century Code, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Authority to

FAIRPOINT COMMUNICATIONS SOLUTIONS CORP. to transact business in this State under the name of

FAIRPOINT COMMUNICATIONS SOLUTIONS CORP.

Issued: May 17, 2000

A handwritten signature in cursive script, reading "Alvin A. Jaeger".

Alvin A. Jaeger
Secretary of State



**CERTIFICATE OF AUTHORITY
FOREIGN CORPORATION
APPLICATION
SECRETARY OF STATE
SFN 13100 (8-97)**

SEE REVERSE SIDE FOR FEES, FILING AND MAILING INSTRUCTIONS

RECEIVED

MAY 15 2000

SEC. OF STATE

FOR OFFICE USE ONLY

ID #	15913600
WO #	781781
Filed	5-17-00
By	RB

- 1.A. The application **MUST** be accompanied by **ALL** of the following:
- Filing fee of \$125 if a **Foreign Business or Professional Corporation**
 - Filing fee of \$40 if a **Foreign Nonprofit Corporation**
 - Signed Consent of Registered Agent and fee of \$10
 - **Current, ORIGINAL CERTIFICATE OF GOOD STANDING OR CERTIFICATE OF EXISTENCE** verifying corporate existence certified by the incorporating officer of the state or country of incorporation.

- B. The following **MAY** be required:
- Certification of professional license from the North Dakota licensing board for the profession
 - Signed consent to use of name and fee of \$10
 - Trade Name Registration and fee of \$25

TYPE OR PRINT LEGIBLY

For reference, see North Dakota Century Code, Section 10-19.1-135 or 10-33-125.

2. Type of corporation applying for Certificate of Authority: (check one)

- Foreign Business Foreign Professional Foreign Nonprofit

3.A. Name of corporation **EXACTLY** as it appears on Certificate of Good Standing from state of origin

FairPoint Communications Solutions Corp.

B. Federal ID #

62-1729497

C. If the corporation chooses to use a name other than its corporate name, that name is a trade name and **must** be registered with the North Dakota Secretary of State. (SEE INSTRUCTION 3.C.) If applicable, provide the trade name below and complete the Trade Name Registration form if the selected trade name is not already registered in North Dakota.

D. If the corporation has been notified by the North Dakota Secretary of State that its corporate name is the same as, or deceptively similar to a name already registered, this application for Certificate of Authority **must** be accompanied by one of the following: (check one)

- Consent to use of name from the conflicting name holder(s)
 An application for registration of a trade name for use in transacting business in North Dakota. The trade name adopted is:

Certified copy of a final decree of a court of competent jurisdiction establishing prior right of this corporation to use of the name in North Dakota

4. Complete mailing address of principal executive office which may not only be a post office box (Street/RR, and PO Box if applicable, city, state, zip + 4) **6324 Fairview Rd Ste 400, Charlotte, North Carolina 28210**

5.A. STATE or country where incorporated

Delaware

B. **EXACT** date incorporated (Month, day, **AND** year)

January 23, 1998

C. Duration of corporation

- Perpetual
 Other (Specify)

D. Telephone #

704-414-2500

E. Toll-free telephone #

888-235-3242

6.A. Name of required registered agent in **NORTH DAKOTA** (SEE INSTRUCTION 6.A.)

C T Corporation System

B. Federal ID/social security # of registered agent

51-0006522

C. Address of registered agent in **NORTH DAKOTA** which may not only be a post office box number (Street/RR, and PO Box if applicable, city, state, zip +4) **c/o C T Corporation System, 314 East Thayer Avenue, Bismarck, North Dakota 58501**

7. Nature of business or activities the corporation intends to conduct in the State of North Dakota

Telecommunications.

8. **OFFICERS AND DIRECTORS OF THE CORPORATION**

OFFICE	Check box if officer also serves as director	NAME	COMPLETE MAILING ADDRESS				
			Street/RR	PO Box	City	State	Zip + 4
PRESIDENT	<input type="checkbox"/>	See attached list of officers					
VICE PRESIDENT	<input type="checkbox"/>						
SECRETARY	<input type="checkbox"/>						
TREASURER	<input type="checkbox"/>						
DIRECTOR		See attached list of directors					
DIRECTOR							

9. The undersigned, a person authorized by the corporation to sign this application, knows the contents thereof, and believes the statements made to be true.


 Original signature **Brady Buckley** Date **15/19/00**

704-414-2523

10. Name of person to contact about this application

Daytime telephone #

FairPoint Communications Solutions Corp.

Officers:

<u>Name</u>	<u>Office/Title</u>	<u>Business Address</u>
Jack H. Thomas	Chairman	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
G. Brady Buckley	President and Chief Executive Officer	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Eugene B. Johnson	Officer- Executive Vice President and Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Walter E. Leach, Jr.	Officer- Chief Financial Officer, Senior Vice President and Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Timothy W. Henry	Officer- Vice President Finance, Treasurer and Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Ryan D. Cure	Officer- Controller	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Neil A. Torpey	Officer- Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Shirley J. Linn	Officer- Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210



**REGISTERED AGENT
CONSENT TO SERVE**
SECRETARY OF STATE
SFN 7974 (9-97)

RECEIVED
MAY 15 2000
SEC. OF STATE

FOR OFFICE USE ONLY

ID #	15913600
File #	
WO #	781781
Filed	5-17-00 By RB

SEE REVERSE SIDE FOR FILING AND MAILING INSTRUCTIONS

1. FILING FEE: \$10.00

TYPE OR PRINT LEGIBLY

2. Name of the organization for which the registered agent is to serve (corporation, limited liability company, limited liability partnership or real estate investment trust)

FairPoint Communications Solutions Corp.

3.A. Name of the registered agent

C T Corporation System

<p>B. Registered Agent is (Check One)</p> <p><input type="checkbox"/> An individual North Dakota resident</p> <p><input checked="" type="checkbox"/> A corporation</p> <p><input type="checkbox"/> A limited liability company</p> <p><input type="checkbox"/> A limited liability partnership</p>	<p>C. Federal ID # or social security # of registered agent</p> <p>51-0006522</p>
--	---

4. The undersigned, as registered agent, or as authorized to sign on behalf of the registered agent, consents to act in the capacity of registered agent until removed or until a resignation is submitted to the Secretary of State in accordance with North Dakota laws.

C T CORPORATION SYSTEM

By: [Signature] / 5/12/2000
Original signature of registered agent Date

**ALLAN FARNELL
ASSISTANT SECRETARY**

ATTACHMENT 4

FairPoint Communications Solutions Corp.

Officers:

<u>Name</u>	<u>Office/Title</u>	<u>Business Address</u>
Jack H. Thomas	Chairman	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
G. Brady Buckley	President and Chief Executive Officer	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Eugene B. Johnson	Officer- Executive Vice President and Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Walter E. Leach, Jr.	Officer- Chief Financial Officer, Senior Vice President and Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Timothy W. Henry	Officer- Vice President Finance, Treasurer and Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Ryan D. Cure	Officer- Controller	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Neil A. Torpey	Officer- Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210
Shirley J. Linn	Officer- Assistant Secretary	6324 Fairview Road, Suite 400 Charlotte, North Carolina 28210

Directors:

Name:

Office/Title

Business Address

Jack H. Thomas

Director

6324 Fairview Road, Suite 400
Charlotte, North Carolina 28210

Eugene B. Johnson

Director

6324 Fairview Road, Suite 400
Charlotte, North Carolina 28210

Daniel G. Bergstein

Director

6324 Fairview Road, Suite 400
Charlotte, North Carolina 28210

Meyer Haberman

Director

6324 Fairview Road, Suite 400
Charlotte, North Carolina 28210

Frank K. Bynum, Jr.

Director

6324 Fairview Road, Suite 400
Charlotte, North Carolina 28210

George E. Matelich

Director

6324 Fairview Road, Suite 400
Charlotte, North Carolina 28210

Nelson Schwab III

Director

6324 Fairview Road, Suite 400
Charlotte, North Carolina 28210

ATTACHMENT 5

Senior Management Profiles

Brady Buckley, President and CEO, began his career with U.S. Sprint, he also served as Vice President of LDDS Worldcom. Prior to joining FairPoint Communications, Brady served as President of American Telco, Inc.; a Houston-based telecommunications firm that was the first company to provide combined local and long distance phone service in Texas. Under Brady's leadership, the company's revenues increased 50 percent and its asset value rose from \$55 million to \$130 million in two and a half years. Buckley holds a Bachelor of Arts degree in Economics from St. Lawrence University.

Jeff Tousa, Senior Vice President of Customer Solutions (Sales, Marketing, and Customer Service), also brings a lengthy career with American Telco, of Texas at which he began 10 years ago as an account representative. As Jeff's career grew he left Dallas for the Houston office where he continued to be on the move until he ended his career with Telco. Upon his departure Jeff held the Vice President of Sales position for 2 years and maintained responsibility for over 200 people. Tousa holds a Bachelor of Arts degree in Political Science from Rice University.

Dan Yamin, Vice President of Marketing Product Development, and Training, was Vice President of Customer Operations/Sales and Marketing for Taconic Telephone Corp. Dan was employed with Taconic since 1989, he previously served as Director of Customer Operations/Sales and Marketing for the company. Prior to Taconic, Dan was an account executive for Rochester Telephone Business Marketing and a telecommunications manager for a Gulf & Western Company. Yamin holds a Bachelor of Science degree with a concentration in Business Management from the Regents State University College of New York.

Thomas Iachetta, Chief Information Officer prior position was Vice President of Planning and Business Development for Taconic Telephone Corp. Mr. Iachetta was employed at Taconic since 1985 and previously served as Director of Planning and Business Development. Prior to that, he served as Manager of Network and Information Services. He was responsible for all aspects of corporate planning for Taconic and its subsidiaries while overseeing information systems. He was responsible for Taconic Cellular Corp., Taconet Corp., a sophisticated SS7 network and Taconic TelCom Corp., a long distance service provider. Iachetta holds a Bachelor of Science degree in Management with a concentration in Information Processing from SUNY Albany

Stephen Lagasse - Vice President of Operations before his promotion, Lagasse was the Director of FairPoint's Operation Center, responsible for various aspects of Customer Service initiatives. Steve is now responsible for Customer Service, Provisioning, and Repair. Steve brings 14 years of telecommunications experience to his new position, including Engineering responsibilities with Bell Atlantic, and Operations and Market Development positions with NYNEX. Lagasse holds a Bachelor of Science degree in Marketing Management from Virginia Tech.

Patrick L. Eudy, Vice President Business Development, career encompasses operating experience in the communications industry, investment banking, and consulting. Mr. Eudy was Vice President - Business Development for MJD Communications, Inc. While with MJD, Mr. Eudy developed the competitive local exchange business plan, which led to the creation of FairPoint Communications. Mr. Eudy managed the start-up and daily operations of FairPoint from November 1997 until July 1998. From 1994 to 1997, Mr. Eudy was employed in various capacities with CruisePhone, Inc. where most recently he was Vice President - Market Development. Eudy holds a Bachelor of Arts Degree from Vanderbilt University.

Ryan Cure-Vice President, Vice President & Controller comes to FairPoint from KPMG LLP, in Lincoln Nebraska where he was a manager. He was responsible for highly sophisticated financial audits and acquisitions for major companies, including FairPoint's parent company FairPoint Communications Holdings, Inc. Ryan holds a bachelor's degree in Business Administration and Accounting from Nebraska Wesleyan University. He will manage all accounting and financial responsibilities for FairPoint.

Ted Huf - Senior Vice President of Operations and Engineering joins FairPoint after a long and successful career with Hyperion / Adelfia where he held the position of Vice President of Engineering and Operations. Ted was responsible for all operations, engineering, and the construction of one of the largest facilities based competitive local exchange carriers (CLEC) in the nation. Ted will lead all planning, engineering, construction, and operations of our network team.

ATTACHMENT 6

ATTACHMENT 6

Schedule 1

Confidential

ATTACHMENT 6

Schedule 2

Confidential

ATTACHMENT 6

Schedule 3

United States
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 1999.

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____ to _____

Commission File Number 333-56365

MJD COMMUNICATIONS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

13-372529

(I.R.S. Employer Identification No.)

521 East Morehead Street, Suite 250
Charlotte, North Carolina

(Address of Principal Executive Offices)

28202

(Zip Code)

Registrant's Telephone Number, Including Area Code: (704) 344-8150.

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 15, 2000, the registrant had outstanding 11,522,508 shares of Class A Common Stock, 12,543,728 shares of Class B Common Stock and 4,269,440 shares of Class C Common Stock. None of the shares of Class A Common Stock or Class B Common Stock was held by non-affiliates. All of the shares of Class C Common Stock were held by non-affiliates and the Company estimates the market value of such shares as of March 15, 2000 was approximately \$56 million.

MJD COMMUNICATIONS, INC. ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

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PART I

ITEM 1. BUSINESS

Company Overview

MJD Communications, Inc. ("MJD" or the "Company") is a rapidly growing facilities-based integrated communications provider ("ICP") offering a suite of bundled voice and data products to small to medium-sized business subscribers in ex-urban markets (generally markets with populations of less than 100,000) and predominantly residential subscribers in rural markets. The Company is seeking to position itself as a leading single source provider of voice services, including basic local services, intra and inter-state access services, long distance services and other voice communications services and data product offerings, such as Internet access and digital subscriber line ("DSL") services, to meet the growing demand for broadband services. The Company is continually evaluating new product offerings, particularly with an emphasis on emerging data services such as IP Centrex, managed services, e-commerce hosting, application hosting and community portals. MJD believes it is executing a capital efficient ICP business strategy by leveraging the switching infrastructure at its acquired rural local exchange carriers ("RLEC") to edge out into new markets in proximity to areas served by its RLECs. As of December 31, 1999, the Company was providing service to over 190,000 access lines in 96 markets located in thirteen states throughout the United States.

The Company was formed in 1991 to seek consolidation opportunities in the RLEC market. The Company's senior management team has demonstrated its ability to successfully acquire, integrate and operate RLECs and to expand its business through its ICP business strategy. A key component of the Company's ICP business strategy is to edge out into fourth tier and select third tier markets that are within a 200 mile radius of areas served by its RLECs. MJD intends to seek and acquire strategically located RLECs that will enable the Company to be an early entrant in its target markets. By leveraging its existing RLEC switching infrastructure, the Company believes it is deploying a highly capital efficient network infrastructure that will support present and future broadband data and voice services.

The Company launched its ICP business strategy in April 1998 through its wholly-owned subsidiary, FairPoint Communications Corp. ("FairPoint"), and as of December 31, 1999, served approximately 10,000 access lines in 10 markets. As of March 1, 2000, FairPoint had entered an additional 121 markets, increasing the total number of markets served to 131. As of March 1, 2000, FairPoint had provisioned an additional 41,000 access lines resulting in a total of approximately 51,000 access lines located in the Northeast and Pacific Northwest region of the United States. The Company intends to serve over 220 markets by December 31, 2000, including markets in the Southeast and Southwestern regions and to increase the number of access lines served by FairPoint to approximately 140,000 access lines. Since 1993, the Company has acquired 24 RLECs located in twelve states and as of December 31, 1999, served over 150,000 access lines. The Company has announced two pending acquisitions strategically located in the southeastern United States that will increase the number of RLEC access lines served from approximately 150,000 to 210,000. The Company believes these two strategic RLEC acquisitions and future RLEC acquisitions will facilitate continued ICP growth.

The Company believes it has identified a market opportunity in under-served markets in tier four and select tier three tier markets. There are approximately 930 of these markets representing approximately 7.7 million business lines and telecommunications spending of approximately \$11.1 billion. By leveraging its RLEC platform and entering these largely under-served markets, the Company believes it can successfully compete against the incumbent local exchange carrier ("ILEC") for voice services and continually evolve its ICP strategy to drive additional market penetration and revenues. The Company's ICP business strategy is to enter new markets on either an unbundled network element platform ("UNE-P") or resale basis. Once the Company has achieved sufficient market share to justify the required capital investment, the Company will migrate its customers to its own facilities-based services ("on-switch") by co-locating in the ILEC's central office. This capital efficient strategy, together with the Company's ability to leverage the RLEC switching infrastructure, allows the Company to enter new markets and, following the co-location

) process, to efficiently route its customer traffic back through its RLEC network and host switching facility. As of March 1, 2000, the Company had completed co-locations in 12 markets and expects to complete approximately additional 120 co-locations by December 31, 2000. The Company's co-located facilities include installation of both data and voice network equipment. The Company's central office host remote sites have advanced digital switches which allow the Company to provide advanced voice and data services. Currently, the Company has deployed DSL technology in 15 of its central offices. The Company is designing and expects to deploy an advanced packet switching network and pursue voice over Internet protocol/voice telephony over asynchronous transfer mode ("VOIP/VTOA") architecture to augment its RLEC switching platform.

After giving effect to the conversion of the Company's Class B Common Stock and Series D Preferred Stock (which will occur automatically upon the receipt of all required regulatory approvals, the ("Conversion")) as described herein, senior management of the Company owned approximately 22.6% of the Class A Common Stock of the Company on a fully diluted basis as of March 15, 2000.

Recent Developments

The Company has entered into a Stock Purchase Agreement dated as of December 23, 1999 to acquire TPG Communications, Inc. for approximately \$210.0 million. This Company serves approximately 52,000 access lines located primarily in the Florida panhandle region. The Company also has entered into a Stock Purchase Agreement dated as of December 10, 1999, with Peoples Mutual Telephone Company and certain other parties to acquire an RLEC for approximately \$35.0 million. This Company serves approximately 7,600 access lines in Central Virginia. These acquisitions (the "Pending Acquisitions") are expected to close during the second quarter of 2000 and represent platforms which the Company will use to expand its CLEC activities into the Southeast.

→ In January 2000, the Company completed an equity financing and recapitalization (the "Equity Financing") pursuant to which (i) investment partnerships and other parties affiliated with or related to Thomas H. Lee Equity Fund IV, L.P. (collectively "THL"), investment partnerships affiliated with Kelso & Company ("Kelso" and collectively with THL, the "Equity Investors"), certain other institutional investors and members of management acquired equity interests in the Company, and (ii) Carousel Capital Partners, L.P. ("Carousel") sold all of its equity interests in the Company. The net cash proceeds of approximately \$159.3 million to the Company from the Equity Financing have been and are expected to be used to repay certain amounts outstanding under the Company's revolving credit facilities and to fund the Company's Pending Acquisitions and its CLEC strategy. After giving effect to the Conversion, THL and Kelso owned, as of March 15, 2000, approximately 37.8% and 32.1%, respectively, of the Class A Common Stock on a fully diluted basis. The Equity Investors have invested an aggregate of approximately \$375.5 million of equity capital in MJD. The Company believes it benefits from the Equity Investors' financial and management expertise and financial support.

Industry Overview

The Telecommunications industry is experiencing rapid growth driven by deregulation and new technologies facilitating an increase in the number and functionality of voice, data and broadband product offerings.

The emergence of CLECs has been promoted by Congress through the Telecommunications Act of 1996, as amended (the "Telecommunications Act"), and furthered by federal and state regulatory policies. The Telecommunications Act and subsequent regulatory policy have provided CLECs with access to the ILEC's infrastructure and, most importantly, an ability to reach the end user. Legislation and regulatory policy, technological advances and increased demand for broadband product offerings and bundled services have been the primary drivers behind the growth of the CLEC sector.

The ILEC industry is recognized by the Federal Communications Commission ("FCC") as consisting of a few large non-rural carriers such as the regional bell operating companies ("RBOCs") and rural carriers that are generally small independently owned companies or RLECs.

Competitive Local Exchange Carrier Industry. The Telecommunications Act enabled the creation of a local market or long-distance of the CLEC industry by facilitating competition in the local exchange for the end user's communications business. It is estimated that the total U.S. communications market approximates \$240 billion, annually. Currently, industry analysts estimate that CLECs have less than a five percent of that market share.

Rural Telephone Industry. The FCC estimates that RLECs serve approximately eight percent of the nation's access lines and 38% of the US land area. The average population density for areas served by RLECs is 13 persons per square mile, compared to 105 persons per square mile for non-rural carriers. RLECs serve approximately 19 access lines per square mile while non-rural carriers serve 128 access lines per square mile.

According to United States Telecom Association data, there are approximately 1,200 independent telephone companies in the U.S., each of which serves less than 25,000 access lines. Generally, these small, privately held telephone companies operate in sparsely populated rural areas where competition from other providers (wireline or wireless) is limited because of the generally unfavorable economics of constructing and operating such competitive systems in rural areas. The Company believes that many of these RLEC owners are increasingly interested in selling their businesses as the growing technical, administrative and regulatory complexities of the local telephone business challenge their existing management capabilities. Also, certain large telephone companies are selling many of their small rural exchanges to focus their attention on their major metropolitan operations, which generate the greatest percentage of their consolidated revenue and which are increasingly threatened by competition. The Company believes the large companies will not continue to invest time and capital in their rural operations, which represent a relatively insignificant portion of their consolidated operations. Under these circumstances, the Company believes that it will continue to have opportunities to acquire RLECs and rural telephone operations currently owned by the large telephone companies which will allow the Company to accelerate the growth of the CLEC business.

Services

The Company is continually investing in its telecommunications network to ensure that it is and will be capable of meeting the growing demand for advanced voice and data communications services from its customers. These investments include deployment of technology that maintains the traditional suite of products, but also provides for broadband services by transitioning from a circuit-switched to a packet-switched network. The Company believes it is able to efficiently and reliably provide all of the telecommunications services required by its customers, thereby enhancing the Company's ability to build upon its recognized local brand identity within each of its markets.

The Company offers a bundled approach to its voice and data product offerings.

Voice services include basic local service, intrastate and interstate access, Centrex, enhanced calling features, long distance and other services such as dedicated or private line, cable television services and wireless telephony. Data products include full service Internet, dial up Internet access, DSL or high-speed data connectivity services, frame relay/ATM and web hosting. DSL is a technology enabling high-speed data access across existing telephone lines.

The Company is continually evaluating new product offerings and is currently developing IP Centrex, managed services, e-commerce hosting, application hosting and community portals.

Generation of Revenue

The Company generates revenue primarily through: (i) the provision of local telephone service to small to medium sized business and residential subscribers that include: dial tone, ISDN, Centrex, private lines, and switched data services; (ii) the provision of data services which include Internet access, DSL (which provides high-speed connection to the Internet or other broadband services over existing copper lines while simultaneously providing for traditional voice dial up service.) and frame relay/asynchronous transfer mode network; (iii) the provision of network access to IXCs for origination and termination of interstate and intrastate long distance calls; (iv) in the case of the RLECs, Universal Service Support Fund payments that supplement the RLECs high-cost of providing basic local service; and (v) the provision of ancillary services such as billing and collection, long distance resale, enhanced services, wireless services, cable television services, and customer premises equipment sales.

Sales and Marketing

The Company's marketing approach emphasizes locally managed, customer-oriented sales, marketing and service. The Company's objective is to differentiate itself from its competitors by providing superior product and customer support services in its markets.

The Company had 565 employees engaged in sales, marketing and customer service at December 31, 1999. The Company targets business, government, and institutional customers in fourth and select third tier markets and to its predominantly residential RLEC customers by offering complete voice and data solutions to meet its customers' communications needs.

Competition

The Company believes that the Telecommunications Act and other recent actions taken by the FCC and state regulatory authorities promote competition in the provision of telecommunications services.

The Company is pursuing the opportunity to be the preferred telecommunications provider of choice in the markets in which the Company operates. The Company is executing an "first to market" strategy in ex-urban or fourth and select third tier markets in proximity to the Company's RLEC markets. The Company believes its targeted ex-urban markets will support only one or two competitors in addition to the ILEC and, as a result, believes it is important to be a first entrant in each of its markets. The Company has successfully attracted and retained its customers through high quality customer service and comprehensive voice and data product offerings. The Company believes that its success-based, capital efficient business plan will provide a competitive advantage in its markets.

The Company intends to pursue the acquisition of RLECs that are strategically located and accelerate the capital efficient expansion of its ICP business. The Company expects that there will be increased competition for suitable acquisition candidates from other competitors engaged in the acquisition of RLECs. There are approximately 1,200 small independent companies, many of which may be suitable acquisition candidates. However, a continuing trend toward business combinations and alliances in the telecommunications industry may increase competition for such acquisition candidates.

Network Facilities

The Company is designing and expects to deploy an advanced packet switching network and to pursue VOIP/VTOA (voice over Internet protocol/voice telephony over ATM) architecture to augment the RLEC host switches. The Company believes this packet switched architecture will allow it to efficiently deliver integrated voice and data services to its customers at a lower cost than traditional circuit switched architecture. The Company expects to continue to leverage use of the RLEC switches and technical personnel as it deploys its network. The Company expects to continue co-locating remote switching facilities in the incumbent RBOC central office with the traffic then transported to the existing RLEC host switch. In some cases, the Company will build stand-alone switches in markets where transport costs back to the RLECs are unusually high, but in most cases the current host-remote network structure is utilized.

DSL-enabled integrated access technology is being deployed in all central office co-locations to minimize the last-mile local loop expense, as well as to provide significant broadband capacity to the Company's customers. The Company assembles a long-haul network at low cost through dark fiber purchases, UNE leases, selected builds and strategic partnerships. This provides low-cost transport for the host-remote links, lower the cost of long distance transport and enable the company to continue the growth of its long distance wholesale operation.

As of December 31, 1999, (i) the Company's RLEC franchise areas included 108 exchanges serving approximately 150,000 access lines that were located across approximately 13,100 square miles and (ii) the Company maintained over 14,700 miles of copper plant and 1,200 miles of fiber optic plant that interconnect the Company's remote central offices with IXCs serving the Company's subscribers. Upon completion of the Pending Acquisitions, the Company's RLECs franchise area will include 131 exchanges serving approximately 210,400 access lines. The Company's central office host and remote sites have advanced digital switches manufactured by Nortel or Siemens and current generic software which allows the Company to provide advanced calling features, products and services to its subscribers. The outside plant consists of transport and distribution delivery networks connecting the Company's host central office with remote central offices and ultimately with the Company's customers. Fiber optic technology is being deployed throughout the Company's network and is the primary transport technology between the Company's host and remote central offices and interconnection points with the RBOCs, GTE, long distance carriers and other RLECs. Where topography and geography permit, cable is generally buried, reducing the risk of service interruption from adverse weather.

The Company's fiber optic transport systems are primarily synchronous optical networks ("SONET"). This type of network allows the Company to build and design more durable networks, while utilizing the less durable asynchronous optical systems for limited local or specialized applications. The Company's fiber optic transport system is capable of supporting increasing customer demand for high bandwidth transport services and applications.

The Company has integrated numerous elements of its network to offer a variety of services and applications that meet increasingly sophisticated rural communications customers. These network elements include SS7 signaling networks, voice-messaging platforms, DSL capability, and numerous customer located key and PBX systems. As the telecommunications industry is subject to rapid and significant changes in technology, customer demand and competitive pressures, the Company endeavors to introduce additional elements of functionality to its network, including frame relay and ATM switches, local number portability, AIN services, and VOIP opportunities.

The Company has been segmenting its rural copper plant network into Carrier Serving Areas ("CSAs"), effectively multiplying embedded copper plant capacity and enabling unencumbered service deployment throughout the Company's service areas. The Company's strategy is to push the intelligence and unencumbered capabilities of host digital central office switch and transport closer to its increasingly sophisticated rural communications customers by deploying remote switches throughout the Company's service areas.

The Company plans to prudently invest capital to maintain, replace and upgrade its entire telecommunications infrastructure. The Company continually reviews expenditures to ensure they are economically justifiable and result from an integrated network planning process.

Employees

As of December 31, 1999, the Company employed a total of 947 full-time employees of which 83 employees are represented by unions. The Company has collective bargaining agreements with (i) Local 23-26 of the International Brotherhood of Electrical Workers (AFL-CIO) 107 covering 7 employees employed by its Northland Telephone Company of Vermont subsidiary; (ii) Local 1115 of the Communications Workers of America, covering 15 employees employed by its subsidiary, Chautauqua & Erie Telephone Corp., in New York; and (iii) Local 166 of the International Brotherhood Electrical Workers

(AFL-CIO), covering 61 employees employed by its Taconic Telephone Corp. subsidiary in New York. The contracts expire in February 2002, January 2003 and March 2000, respectively. The Company is currently in final negotiation on the renewal of the March 2000 contract. The Company cannot predict whether agreement will be reached with the union on such contract.

The Company believes the state of its relationship with its employees to be good.

ITEM 2. PROPERTIES

The Company either leases or owns its administrative offices and generally owns its maintenance facilities, rolling stock, co-location equipment, central office and remote switching platforms and outside plant. Administrative and maintenance facilities are generally located in or near community centers. Co-location equipment is located in leased space in the incumbent local exchange carrier's central office. Central offices are often within the administrative building and outlying customer service centers. Auxiliary battery or other non-utility power sources are at each central office to provide uninterrupted service in the event of an electrical power failure. Transport and distribution network facilities (outside plant) include fiber optic backbone and copper wire distribution facilities, which connect customers to remote switch locations or to the central office and to points of presence or interconnection with the IXCs. These facilities are located on land pursuant to permits, easements or other agreements. Rolling stock includes service vehicles, construction equipment and other required maintenance equipment.

ITEM 3. LEGAL PROCEEDINGS

The Company currently and from time to time is involved in litigation and regulatory proceedings incidental to the conduct of its business, but the Company is not a party to any lawsuit or proceeding which, in the opinion of the Company, is likely to have a material adverse effect on the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

→ No matters were submitted to a vote of the security holders of MJD during the fourth quarter of the fiscal year.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no established public market for the common equity of the Company. Substantially all of the Company's outstanding common equity securities are owned by Kelso, certain institutional investors and the Company's executive officers and directors. THL owns all of the Company's outstanding preferred equity.

There were 5,359,860 options to purchase shares of Class A Common Stock outstanding as of March 15, 2000, of which 592,460 were fully vested. Upon receipt of all required regulatory approvals, all of the outstanding shares of Class B Common Stock and Series D Preferred Stock will be automatically converted into an equal number of shares of Class A Common Stock.

There are no shares of common stock that could be sold pursuant to Rule 144 under the Securities Act or, other than pursuant to the Registration Rights Agreement (as defined herein), that MJD has agreed to register under the Securities Act for sale by the security holders.

There are no shares that are being, or have been publicly proposed to be, publicly offered by MJD in which such offering could have a material effect on the market price of MJD's common equity.

The ability of the Company to pay dividends is governed by restrictive covenants contained in the indenture governing its publicly held debt as well as restrictive covenants in the Company's bank lending arrangement. The Company has never paid cash dividends on its equity securities and currently has no intention of paying cash dividends on its equity securities for the foreseeable future.

On January 20, 2000, the Company declared a stock split in the form of a stock dividend of 19 shares for each share of capital stock held of record as of January 31, 2000 (the "Stock Split"). All share numbers and purchase price amounts disclosed herein have been adjusted to give effect to this stock dividend.

ITEM 6. SELECTED FINANCIAL DATA

The selected data presented below under the captions "Statement of Operations Data" and "Balance Sheet Data" for, and as of the end of, each of the years in the five-year period ended December 31, 1999, are derived from the consolidated financial statements of MJD Communications, Inc. and its subsidiaries, which have been audited by KPMG LLP, independent certified public accountants. Dollar amounts are presented in thousands.

	Actual				
	Year Ended December 31,				
	1999	1998	1997	1996	1995
	(dollars in thousands)				
Statement of Operations Data:					
Operating revenues:					
Switched services	\$108,430	\$ 72,124	\$39,257	\$27,973	\$22,763
Resold services	22,323	7,803	4,531	100	—
Other	16,786	12,080	3,975	2,283	1,986
Total operating revenues	147,539	92,007	47,763	30,356	24,749
Operating expenses:					
Plant operations	21,088	14,293	6,857	4,181	3,746
Corporate and customer service	54,901	27,635	12,483	7,577	6,433
Depreciation and amortization	31,632	20,089	8,777	6,644	5,757
Cost of services resold	19,190	6,163	4,791	97	—
Other	9,028	7,265	2,416	1,658	1,407

	Actual				
	Year Ended December 31,				
	1999	1998	1997	1996	1995
	(dollars in thousands)				
Total operating expenses	135,839	75,445	35,324	20,157	17,343
Income from operations	11,700	16,562	12,439	10,198	7,406
Other income (expense):					
Net gain (loss) on sale of investments and other assets	512	651	(19)	(3)	(30)
Interest income	446	442	212	180	225
Dividend income	1,452	1,119	1,182	667	664
Interest expense	(51,185)	(27,170)	(9,293)	(9,605)	(7,267)
Other, net	2,520	885	140	(15)	33
Total other expense	(46,255)	(24,073)	(7,778)	(8,776)	(6,375)
Earnings (loss) before income taxes and extraordinary item	(34,555)	(7,511)	4,661	1,423	1,031
Income tax (expense) benefit	5,615	2,112	(1,876)	(1,462)	(547)
Earnings (loss) before extraordinary item and minority interest	(28,940)	(5,399)	2,785	(39)	484
Extraordinary item	—	(2,521)	(3,611)	—	—
Earnings (loss) before minority interest	(28,940)	(7,920)	(826)	(39)	484
Minority interest in income of subsidiaries	(100)	(80)	(62)	(33)	(6)
Net earnings (loss)	<u>\$ (29,040)</u>	<u>(8,000)</u>	<u>(888)</u>	<u>(72)</u>	<u>478</u>
Balance Sheet Data:					
Cash and cash equivalents	\$ 9,923	\$ 13,241	\$ 6,822	\$ 4,253	\$ 3,672
Working capital	13,880	10,778	108	596	1,026
Property, plant and equipment, net	178,296	142,321	61,207	41,615	37,048
Total assets	516,255	442,112	144,613	97,020	79,218
Long-term debt, net of current portion	458,529	364,610	131,912	73,958	64,180
Redeemable preferred stock	—	—	130	10,689	6,701
Total stockholders' equity (deficit)	(11,581)	9,886	(10,939)	(2,142)	103
Other Financial Data:					
Adjusted EBITDA(1)	\$ 48,162	\$ 39,668	\$22,669	\$17,639	\$14,050
Capital expenditures	43,509	12,433	8,262	8,439	4,439
Ratio of earnings to fixed charges(2) (3)	—	—	1.5x	1.1x	1.1x
Summary Cash Flow Data:					
Net cash provided by operating activities	\$ 7,704	\$ 14,867	\$ 9,839	\$ 9,772	\$ 6,039
Net cash provided by (used in) investing activities	(76,610)	(225,522)	(38,967)	(19,790)	(4,481)
Net cash provided by (used in) financing activities	65,588	217,074	31,697	10,599	(2,903)
Operating Data:					
Access lines in service	190,722	136,374	48,731	34,017	28,737

(1) Adjusted EBITDA represents net earnings (loss) plus interest expense, income taxes, depreciation and amortization, and extraordinary items. Adjusted EBITDA is presented because management believes it provides useful information regarding the Company's ability to incur and/or service debt. Management expects that investors may use this data to analyze and compare other telecommunications companies with the Company in terms of operating performance, leverage and liquidity. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be construed as a substitute for consolidated net earnings (loss) as a

measure of performance, or for cash flow as a measure of liquidity. The definition of EBITDA in the indenture governing the Notes (as defined herein) (the "Indenture") is designed to determine EBITDA for the purposes of contractually limiting the amount of debt which the Company may incur. Adjusted EBITDA presented herein differs from the definition of EBITDA in the Indenture, which excludes from the calculation of EBITDA (i) net income of Unrestricted Subsidiaries (as defined in the Indenture) unless such net income is actually dividended to the Company or a Restricted Subsidiary (as defined in the Indenture) and (ii) net income of any Restricted Subsidiary to the extent there is any restriction on the ability of such Restricted Subsidiary to pay dividends to the Company (except that the Company's equity in the net income of any such Restricted Subsidiary is included to the extent of dividends actually received by the Company from such Restricted Subsidiary). The definition of EBITDA in the Indenture is a component of the term "Pro Forma EBITDA" in the Indenture, which is used in a financial covenant calculation therein. Pro Forma EBITDA, as defined in the Indenture, differs from Adjusted EBITDA primarily because it is calculated after giving effect to cost savings the Company believes will be achieved during the applicable period. Adjusted EBITDA as calculated by the Company is not necessarily comparable to similarly captioned amounts of other companies.

- (2) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as earnings before income taxes, minority interest, income or loss from equity investees and extraordinary items, plus distributed income of equity investees, amortization of capitalized interest, and fixed charges. Fixed charges include interest expense on all indebtedness, capitalized interest and rental expense on operating leases representing that portion of rental expense deemed to be attributable to interest. The Company had a deficiency of \$34.5 million and \$7.5 million to cover fixed charges in 1999 and 1998, respectively.
- (3) On January 20, 2000, the Company repaid borrowings of approximately \$75.2 million under the Company's senior secured revolving credit facility and approximately \$27.1 million under FairPoint's revolving credit facility. See note 2 to the consolidated financial statements for additional information. Interest expense on these borrowings was approximately \$1.3 million. Interest expense under the Company's revolving credit facility was approximately \$0.06 million during 1998. During 1998, FairPoint did not incur debt; therefore there was no interest expense reported. For purposes of calculation of the pro forma ratio of earnings to fixed charges, the net pro forma change to interest expense of \$1.3 million and \$0.06 million in 1999 and 1998, respectively, was added to the Company's earnings as defined in note (2) above. The Company had a pro forma deficiency of \$33.2 million and \$7.5 million to cover fixed charges in 1999 and 1998, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

General. MJD is a rapidly growing facilities-based ICP offering a suite of bundled voice and data products to small to medium-sized business subscribers in ex-urban markets (generally markets with populations of less than 100,000) and predominantly residential subscribers in rural markets residential. The Company is seeking to position itself as a leading single source provider of voice services, including basic local services, intra and inter-state access services, long distance services and other voice communications services, and data product offerings, such as Internet access and DSL services, to meet the growing demand for broadband services. MJD believes it is executing a capital efficient ICP business strategy by leveraging the switching infrastructure at its acquired RLECs to edge out into new markets in proximity to areas served by its RLECs. As of December 31, 1999, the Company was providing service to over 190,000 access lines in 96 markets located in thirteen states throughout the United States.

For the year ended December 31, 1999, the Company had operating revenues and Adjusted EBITDA (as defined in Note 1 to "Selected Financial Data") of approximately \$147.5 million and approximately \$48.2 million, respectively. The Company provided net cash of approximately \$7.7 million from operating

activities, used net cash of approximately \$76.6 million in investing activities and provided net cash of approximately \$65.6 million from financing activities for the year ended December 31, 1999.

The growth realized by the Company through its ICP business strategy is supported by the stable growth and cash flow from its RLECs that typifies the stable economic and demographic characteristics of the RLECs rural markets. Historically, the primary reason for the Company's growth in revenue and cash flow has been the acquisition of additional RLECs. In the future, the Company believes FairPoint will experience continued growth, but will report negative cash flow during the market expansion phase of its ICP business plan.

Operating Revenues: The Company generates revenue primarily through: (i) the provision of local telephone service to customers within its service areas; (ii) the provision of network access to IXCs for origination and termination of interstate and intrastate long distance telephone calls; and (iii) the provision of other services such as billing and collection, long distance resale, enhanced services, wireless services, cable television services, Internet access services and customer premises equipment sales; and (iv) FairPoint's operations. The revenues listed in clauses (i) and (ii) above are classified by the Company as "Switched services." The revenues listed in clause (iii) above are classified by the Company as "Other revenue", except for services resold which are classified as "Resold services". The FairPoint revenues are classified by the Company as "Resold services".

<u>Revenue Source</u>	<u>% of Revenue</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
Switched services	73.5%	78.4%	82.2%
Resold services	15.1%	8.5%	9.5%
Other services	11.4%	13.1%	8.3%

Operating Expenses: The Company's operating expenses are categorized as plant operations, corporate and customer service, depreciation and amortization, cost of services resold and other general and administrative expenses. Year to year operating expense changes are influenced by access line growth, the Company's acquisition activity, general business inflationary adjustments and the expenses of FairPoint. Plant operations expenses consist of operating expenses incurred by the Company in connection with the operation of its central offices and outside plant facilities and related operations. Corporate and customer service expenses consist of expenses generated by the Company's general management, accounting, engineering, marketing and customer service functional groups. Cost of services resold are the expenses incurred to provide long distance resale by STLD and local and long distance resale by FairPoint. Other general and administrative expenses are expenses such as property taxes and other miscellaneous expenses.

Other (Income) Expenses: The Company's other income includes interest income, dividends, gain or loss on sale of investments and other assets and other miscellaneous, non-operating income. The Company's other expenses consist primarily of interest on the Company's debt and other non-operating expenses.

Results of Operations

Year Ended December 31, 1999 Compared with Year Ended December 31, 1998

Operating Revenues. Operating revenues increased \$55.5 million to \$147.5 million in 1999 from \$92.0 million in 1998 for the year ended December 31. The 1999 Acquisitions and the acquisitions completed by the Company in 1998 (the "1998 Acquisitions") accounted for \$40.3 million of the revenue increase while for the RLECs owned and operated for a comparable period, operating revenues increased by \$4.6 million to \$61.9 million from \$57.3 million. FairPoint's operating revenues increased \$10.6 million to \$11.7 million in 1999 compared to \$1.1 million in 1998, as a result of the growth of FairPoint's operations.

Basic local service revenue increased \$9.1 million to \$26.8 million in 1999 from \$17.7 million in 1998 for the year ended December 31. This revenue increase is primarily attributable to an increase in access lines from internal growth and access lines acquired in the 1999 Acquisitions and the 1998 Acquisitions.

The 1999 Acquisitions and the 1998 Acquisitions accounted for 96,523 access lines, or 64%, the total RLEC access lines operated by the Company at December 31, 1999. The RLECs owned and operated by the Company for the comparable periods achieved internal growth of 3,103 access lines. The 1999 Acquisitions and the 1998 Acquisitions contributed \$8.4 million of the increase in basic local service revenue in 1999 while the RLECs owned and operated for a comparable period contributed \$0.7 million of the increase.

USSF revenue increased \$2.5 million to \$7.2 million in 1999 from \$4.7 million in 1998 for the year ended December 31. The 1999 Acquisitions and 1998 Acquisitions contributed \$1.6 million of the increase in USSF revenue, while for the RLECs owned and operated for a comparable period, USSF revenues increased by \$0.9 million to \$5.2 million.

Network access revenue increased \$24.7 million to \$74.4 million in 1999 from \$49.7 million in 1998 for the year ended December 31. This revenue increase is primarily attributable to the increase in minutes of use contributed from internal growth and by the 1999 Acquisitions and the 1998 Acquisitions. Network access revenue contributed by the 1999 Acquisitions and the 1998 Acquisitions was \$22.4 million. For the RLECs owned and operated for a comparable period, network access revenue increased by \$2.3 million to \$34.8 million. The increase in network access revenues in 1999 was primarily associated with cost study true up payments received as a result of 1998 traffic pattern shifts that resulted in higher network access revenue.

Resold service revenue increased \$14.5 million to \$22.3 million in 1999 from \$7.8 million in 1998 for the year ended December 31. Revenue contributed by the 1999 Acquisitions and the 1998 Acquisitions provided \$2.9 million of the increase in resold service revenues. Long distance service resold contributed \$1.0 million. FairPoint's operations provided \$10.6 million of the increase in resold service revenue.

Other revenues increased \$4.7 million to \$16.8 million in 1999 from \$12.1 million in 1998 for the year ended December 31. Revenue contributed by the 1999 Acquisitions and the 1998 Acquisitions provided a \$4.9 million increase in other revenues for the year ended December 31, 1999. For the RLECs owned and operated for the comparable period by the Company, other revenues decreased \$0.2 million to \$5.1 million.

Operating Expenses. Operating expenses, which include plant operations, corporate and customer service, depreciation and amortization, cost of services resold and other general and administrative expenses, increased \$60.4 million to \$135.8 million in 1999 from \$75.4 million in 1998 for the year ended December 31. The increase was attributable in part to operating expenses associated with the 1999 Acquisitions and the 1998 Acquisitions, which in the aggregate accounted for \$24.3 million of the increase. In addition, for the RLECs owned and operated for a comparable period, operating expenses increased approximately \$8.3 million, or 18.8%, to \$52.4 million in 1999 from \$44.1 million in 1998. The change was primarily attributable to an increase in corporate and customer service expenses and in cost of services resold at FairPoint. The corporate expense increase can be attributed to approximately \$0.8 million in acquisition due diligence costs incurred as a result of unsuccessful bids to acquire certain RLEC assets, approximately \$0.8 million associated with the buyout of an employee contract and approximately \$3.4 million in executive compensation expense related to stock appreciation rights of certain management members. Long distance toll costs increased \$1.8 million as the number of companies that receive wholesale services from STLD has increased. In addition, the wholesale rates in the state of Maine increased dramatically during 1999. FairPoint's operating expenses increased \$25.9 million from \$5.5 million to \$31.4 million in 1999.

Income from Operations. As a result of the factors described above, income from operations decreased \$4.9 million to \$11.7 million in 1999 from \$16.6 million in 1998 for the year ended December 31. As a percentage of revenues, income from operations was 7.9% as compared to 18.0% in 1999 and 1998, respectively. This margin decline in 1999 is primarily attributable to the expenses associated with FairPoint, an increase in corporate and customer services expenses and long distance cost of services resold. This trend is expected to continue for the foreseeable future as the implementation of the FairPoint business is

completed. For the RLECs owned and operated for a comparable period, the income from operations decreased \$3.7 million to \$9.5 million. The income from operations margin decreased to 15.4% from 23.1%. This decrease was primarily attributable to an increase in corporate and customer services expenses and the \$3.4 million in executive compensation expense related to stock appreciation rights of certain management members. The income from operations margin for the RLECs owned and operated for a comparable period was approximately 21% when adjusted for the \$3.4 million in executive compensation expense related to stock appreciation rights of certain management members.

Other Income (Expense). Total other expense increased \$22.2 million to \$46.3 million in 1999 from \$24.1 million in 1998 for the year ended December 31. The increase was primarily attributable to an increase in interest expense associated with the additional debt incurred to complete the 1999 Acquisitions and 1998 Acquisitions and a \$13.3 million increase associated with the retirement of certain warrants issued by our subsidiary, ST Enterprises, Ltd. See also note 9 to the consolidated financial statements for additional information.

Extraordinary Item. For the year ended December 31, 1998, the Company recognized an extraordinary loss of \$2.5 million (net of taxes) related to the early retirement of debt.

Year Ended December 31, 1998 Compared with Year Ended December 31, 1997

Operating Revenues. Operating revenues increased \$44.2 million to \$92.0 million in 1998 from \$47.8 million in 1997 for the year ended December 31. The 1998 Acquisitions and the acquisitions completed by the Company in 1997 (the "1997 Acquisitions") accounted for \$42.1 million of the revenue increase while for the RLECs owned and operated for a comparable period, operating revenues increased by \$1.0 million to \$43.9 million from \$42.9 million. FairPoint reported first year revenues of \$1.1 million in 1998.

Basic local service revenue increased \$10.1 million to \$17.7 million in 1998 from \$7.6 million in 1997 for the year ended December 31. This revenue increase is primarily attributable to an increase in access lines from internal growth and access lines acquired in the 1998 Acquisitions and the 1997 Acquisitions. The 1998 Acquisitions accounted for 78,700 access lines, or 61% of total access lines operated by the Company at December 31, 1998. The RLECs owned and operated by the Company for the comparable periods achieved internal growth of 2,300 access lines. The 1998 Acquisitions and the 1997 Acquisitions contributed \$9.7 million of the increase in basic local service revenue in 1998 while the RLECs owned and operated for a comparable period contributed \$0.4 million of the increase.

USSF revenue increased \$0.4 million to \$4.7 million in 1998 from \$4.3 million in 1997 for the year ended December 31. The 1998 Acquisitions and 1997 Acquisitions contributed \$0.7 million of the increase in USSF revenue, while for the RLECs owned and operated for a comparable period, USSF revenues decreased by \$0.3 million to \$3.7 million.

Network access revenue increased \$22.4 million to \$49.7 million in 1998 from \$27.3 million in 1997 for the year ended December 31. This revenue increase is primarily attributable to the increase in minutes of use contributed from internal growth, the 1998 Acquisitions and the 1997 Acquisitions, and an increase in interstate and intrastate settlement revenue administered by NECA or a respective state's settlement methodologies. Network access revenue contributed by the 1998 Acquisitions and the 1997 Acquisitions was \$21.5 million. For the RLECs owned and operated for a comparable period, network access revenue increased by \$0.9 million to \$26.0 million.

Resold service revenue increased \$3.3 million to \$7.8 million in 1998 from \$4.5 million in 1997 for the year ended December 31. Revenue contributed by the 1998 Acquisitions and the 1997 Acquisitions provided \$1.8 million of the increase in resold service revenues. Long distance service resold contributed \$0.4 million. FairPoint reported first year revenue of \$1.1 million.

Other revenues increased \$8.1 million to \$12.1 million in 1998 from \$4.0 million in 1997 for the year ended December 31. Revenue contributed by the 1998 Acquisitions and the 1997 Acquisitions provided \$8.5 million in other revenues for the year ended December 31, 1998. For the RLECs owned and operated

for the comparable period by the Company; other revenues decreased \$0.4 million for the year ended December 31, 1998.

Operating Expenses. Operating expenses, which include plant operations, corporate and customer service, depreciation and amortization, cost of services resold and other general and administrative expenses, increased \$40.1 million to \$75.4 million in 1998 from \$35.3 million in 1997 for the year ended December 31. The increase was primarily attributable to the operating expenses associated with the 1998 Acquisitions and the 1997 Acquisitions, which in the aggregate accounted for \$31.6 million of the increase. Expenses associated with the start up and operation of FairPoint were \$5.9 million of the increase in 1998. In addition, for the RLECs owned and operated for a comparable period, operating expenses increased approximately \$2.6 million, or 8.3%, to \$34.0 million in 1998 from \$31.4 million in 1997. The change was primarily attributable to a \$3.0 million increase in corporate and customer service expenses associated with the dramatic growth experienced by the Company in 1998.

Income from Operations. As a result of the factors described above, income from operations increased \$4.2 million to \$16.6 million in 1998 from \$12.4 million in 1997 for the year ended December 31. As a percentage of revenues, income from operations was 18.0% as compared to 26.0% for the years ended December 31, 1998 and 1997, respectively. This margin decline in 1998 is primarily attributable to the expenses associated with FairPoint. For the RLECs owned and operated for a comparable period, the income from operations decreased \$1.8 million to \$9.7 million. The income from operations margin decreased to 22.4% from 26.9%. This decrease was primarily attributable to an increase in corporate and customer services expenses.

Other Income (Expense). Total other expense increased \$16.3 million to \$24.1 million in 1998 from \$7.8 million in 1997 for the year ended December 31. The increase was primarily attributable to an increase in interest expense associated with the additional debt incurred to complete the 1998 Acquisitions. The increase in other expenses was partially offset by a net gain from sale of assets of \$0.7 million and an increase of \$0.2 million in dividend and interest income from the Company's investments.

Extraordinary Item. For the year ended December 31, 1998, the Company recognized an extraordinary loss of \$2.5 million (net of taxes) related to the early retirement of debt.

Liquidity and Capital Resources

The Company's strategy requires significant capital resources. The Company historically has used the proceeds from institutional and bank debt, private equity offerings, and available cash flow to fund the Company's strategy.

The Company maintains a senior secured credit facility (the "Credit Facility"), which within the Credit Facility is an \$85.0 million reducing revolving term facility with a remaining term of five years. This facility is available for general corporate purposes, capital expenditures and acquisitions. At December 31, 1999, there was an outstanding balance of approximately \$76.0 million and approximately \$9.0 million was available under this revolving term facility. On January 20, 2000, this revolving term facility was repaid from the net cash proceeds generated from the Equity Financing and as of March 15, 2000, the Company had available under the revolving term facility \$85.0 million. Borrowings under the Credit Facility are guaranteed by the Company's four mid-tier subsidiary companies and secured by a pledge of the stock of certain subsidiaries. Also, the Credit Facility provides for an additional \$165.0 million Acquisition Facility. On March 14, 2000, this facility was committed and made available to the Company to finance the Pending Acquisitions, which are expected to be completed during the second quarter of 2000. Pursuant to the Credit Facility, the Company is required to comply with certain financial covenants. For the year ended December 31, 1999, the Company was in compliance with such covenants. See note 6 to the consolidated financial statements for additional information.

On May 5, 1998, the Company completed a public offering of debt consisting of \$125.0 million in aggregate principal amount of 9½% Senior Subordinated Notes (the "Fixed Rate Note") and \$75.0 million

in aggregate principal amount of Floating Rate Callable Securities (the "Floating Rate Note"), each due in 2008 (collectively, the "Notes"). The Notes are general unsecured obligations of the Company, subordinated in right of payment to all existing and future senior debt of the Company and effectively subordinated to all existing and future debt and other liabilities of the Company's subsidiaries. Interest on the Notes is payable semi-annually.

FairPoint has and expects to continue to establish operations in additional ex-urban markets, which is expected to result in continuing operating losses reported by FairPoint. The Company invested equity of approximately \$4.2 million in 1998 and approximately \$13.7 million in 1999 to enable FairPoint to expand into 86 additional markets and increase the total number of CLEC markets served by FairPoint to approximately 96. In addition, FairPoint has invested and expects to continue to invest in telecommunications facilities to migrate its customers to the Company's existing networks. FairPoint expects it will require substantial funds for capital expenditures in 2000 and 2001. The Credit Facility limits the Company's investment in its CLEC business to (i) \$5.0 million per year so long as the senior debt leverage ratio (as calculated under the Credit Facility) exceeds 4.5x and (ii) \$15.0 million per year whenever such leverage ratio is under 4.5x.

On October 20, 1999, FairPoint closed a \$100.0 million convertible senior secured revolving credit facility (the "FairPoint Credit Facility"). On March 27, 2000, this credit facility was increased from \$100.0 million to \$200.0 million. Under the FairPoint Credit Facility, funds are available on a revolving basis until March 2001; provided that upon receiving certain approvals, the maturity date will be extended until October 2004. Subsequently, all existing and future assets of FairPoint (including the stock of its restricted subsidiaries) secure the borrowings under the FairPoint Credit Facility. Pursuant to the terms of the FairPoint Credit Facility, FairPoint is required to comply with certain financial covenants. Upon default of certain covenants or non-payment at final maturity, at the lenders' option, the lender may exchange all outstanding indebtedness plus outstanding and accrued interest for an equal dollar amount of payment-in-kind preferred stock issued by the Company. FairPoint has only a limited operating history and operates in a competitive environment. In addition, FairPoint has significant capital requirements due to the significant expenditures necessary to sell and market its CLEC services and to purchase equipment to conduct operations. FairPoint has relied, and is expected to continue to rely, on the Company to fund its equity capital requirements and provide credit support for its debt financing needs. The FairPoint Credit Facility, together with cash invested and to be invested by the Company, is expected to fund FairPoint's current business plan through the first quarter of 2001. At December 31, 1999, there was an outstanding balance of approximately \$21.7 million under the FairPoint Credit Facility, which was subsequently retired from proceeds received from the Equity Financing as discussed below. For the year ended December 31, 1999, the Company was in compliance with the covenants set forth in the FairPoint Credit Facility. See Note 6 to the consolidated financial statements for additional information.

On January 20, 2000, in connection with the Equity Financing, THL purchased a total of 21,461,720 shares of the Company's Series D Preferred Stock for an aggregate purchase price of approximately \$281.5 million. THL acquired 3,580,860 shares of Series D Preferred Stock from the Company for an aggregate purchase price of approximately \$47.0 million, 13,955,760 shares of Series D Preferred Stock (representing all of Carousel's equity interest in the Company) from Carousel for an aggregate purchase price of approximately \$183.0 million and 3,925,100 shares of Series D Preferred Stock from the founding stockholders and members of senior management for an aggregate purchase price of approximately \$51.5 million. All of the shares of Series D Preferred Stock sold by Carousel and senior management to THL and a portion of the shares of Series D Preferred Stock sold by the founding stockholders to THL were acquired from the Company in exchange for an equal number of shares of Class A Common Stock. The remaining shares of Series D Preferred Stock sold by the founding stockholders to THL were acquired from Kelso as described below.

Kelso acquired 4,243,728 shares of the Company's Class B Common Stock for an aggregate purchase price of approximately \$55.7 million and 1,093,060 shares of Series D Preferred Stock for an aggregate purchase price of approximately \$14.3 million. Kelso assigned the shares of Series D Preferred Stock to the

founding stockholders in satisfaction of certain obligations to such stockholders under the Company's previous stockholders agreement. Kelso also exchanged 8,300,000 shares of Class A Common Stock for an equal number of shares of Class B Common Stock.

Both the Series D Preferred Stock and the Class B Common Stock will automatically convert into an equal number of shares of Class A Common Stock upon receipt of all required regulatory approvals. In addition, as part of this Equity Financing, the Company sold 4,269,440 shares of non-voting Class C Common Stock to certain institutional investors for an aggregate purchase price of approximately \$56.0 million.

On January 31, 2000, the Company completed the Equity Financing by selling 100,160 shares of Class A Common Stock to certain members of the Company's management for an aggregate purchase price of approximately \$1.3 million.

The net cash proceeds to the Company from the Equity Financing of approximately \$159.3 million have been and will be used to repay long term debt, to fund the expansion of FairPoint's CLEC business and to complete the Pending Acquisitions.

The Company's principal liquidity requirements are expected to be for capital expenditures, expansion of FairPoint's CLEC business, finance the Company's pending and future acquisition activities, debt service and general corporate purposes.

Net cash provided by operating activities was \$7.7 million and \$14.9 million for the years ended December 31, 1999 and 1998, respectively. Net cash used in investing activities was \$76.6 million and \$225.5 million for the years ended December 31, 1999 and 1998, respectively. These cash flows primarily reflect expenditures relating to RLEC acquisitions of \$53.9 million and \$217.1 million for the years ended December 31, 1999 and 1998, respectively, and capital expenditures of \$43.5 million and \$12.4 million for the years ended December 31, 1999 and 1998, respectively. Net cash provided by financing activities was \$65.6 and \$217.1 million for the years ended December 31, 1999 and 1998, respectively. These cash flows primarily represent borrowings, the proceeds of which were \$138.9 million in 1999 and \$510.6 million in 1998, and the proceeds from the issuance of common stock of \$31.8 million in 1998. There was no common stock issued in 1999. A majority of the proceeds received in 1999 were used to repay long-term debt of \$52.1 million and to complete the 1999 Acquisitions. A majority of the proceeds received in 1998 were utilized to repay long-term debt of \$307.8 million and to complete the 1998 Acquisitions.

Net cash provided by operating activities was \$14.9 million and \$9.8 million for the years ended December 31, 1998 and 1997, respectively. Net cash used in investing activities was \$225.5 million and \$39.0 million for the years ended December 31, 1998 and 1997, respectively. These cash flows primarily reflect expenditures relating to acquisitions of RLECs of \$217.1 million and \$30.8 million for the years ended December 31, 1998 and 1997, respectively, and capital expenditures of \$12.4 million and \$8.3 million for the years ended December 31, 1998 and 1997, respectively. Net cash provided by financing activities was \$217.1 million and \$31.7 million for the years ended December 31, 1998 and 1997, respectively. These cash flows primarily represent borrowings, the proceeds of which were \$510.6 million in 1998 and \$71.1 million in 1997, and from the proceeds of the issuance of common stock of \$31.8 million and \$15.9 million in 1998 and 1997, respectively. A majority of the proceeds received in 1997 were utilized to repay long-term debt of \$22.1 million and to repurchase preferred stock and warrants for an aggregate amount of \$31.5 million.

Adjusted EBITDA represents net earnings (loss) plus interest expense, income taxes, depreciation, amortization, and extraordinary items.

Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be construed as a substitute for consolidated net earnings (loss) as a measure of performance or as a substitute for cash flow as a measure of liquidity. Adjusted EBITDA presented herein differs from the definition of EBITDA in the Indenture. The definition of EBITDA in the Indenture is designed to determine EBITDA for the purposes of contractually limiting the amount of debt which the

Company may incur. Adjusted EBITDA as calculated by the Company is not necessarily comparable to similarly captioned amounts of other companies.

Management believes Adjusted EBITDA provides useful information regarding the Company's ability to incur and/or service debt. Increases or decreases in Adjusted EBITDA may indicate improvements or decreases, respectively, in the Company's free cash flows available to incur and/or service debt and cover fixed charges. Management expects that, because Adjusted EBITDA is commonly used in the telecommunications industry as a measure of performance, investors may use this data to analyze and compare other telecommunications companies with the Company in terms of operating performance, leverage and liquidity.

Adjusted EBITDA increased 21.4% to \$48.2 million for the year ended December 31, 1999 from \$39.7 million for the year ended December 31, 1998. Adjusted EBITDA reported by the RLECs was \$69.0 million, by STLD was \$(0.9) million and by FairPoint was \$(19.9) million for the year ended December 31, 1999. Adjusted EBITDA increased 74.9% from \$22.7 million in the year ended December 31, 1997 to \$39.7 million in the year ended December 31, 1998. Adjusted EBITDA reported by the RLECs was \$44.6 million, by STLD was \$(0.3) million and by FairPoint was \$(4.6) million for the year ended December 31, 1998. Adjusted EBITDA reported by the RLECs was \$24.1 million and by STLD was \$(1.4) million for the year ended December 31, 1997.

The Company may secure additional funding through the sale of public or private debt and/or equity securities or enter into another bank credit facility to fund future acquisitions and operations. If the Company's growth occurs more rapidly than is currently anticipated or if its operating results are below expectations, there can be no assurance that the Company will be successful in raising sufficient additional capital on terms that it will consider acceptable, or that the Company's operations will produce positive cash flow in sufficient amounts to meet its debt obligations. The Company's failure to raise and generate sufficient funds may require it to delay or abandon some of its planned future growth or expenditures, which could have a material adverse effect on the Company's growth and its ability to compete in the telecommunications industry.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 137 "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133", delays the effective date of this statement to all fiscal years beginning after June 15, 2000. The Company anticipates adopting this accounting pronouncement in 2001; however, management believes it will not have a significant impact on the Company's consolidated financial statements.

Inflation

The Company does not believe inflation has a significant effect on its operations.

Year 2000

The Company did not experience significant disruptions in its operations as a result of the Year 2000 issue.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term debt, since approximately 82% of the Company's debt is at fixed rates or effectively at fixed rates through the use of interest rate swaps. At December 31, 1999, the fair value of the

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Company's long-term debt is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities. At December 31, 1999, the Company had long-term debt with a carrying value of approximately \$462.4 million and estimated fair value of approximately \$447.6 million. The market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 91.9 basis points in interest rates (ten percent of the rates currently offered to the Company). An increase of 10% in interest rates would result in approximately a \$0.9 million decrease in the fair value of the Company's long-term debt.

The Company has entered into interest rate swaps to manage its exposure to fluctuations in interest rates of its variable rate debt. The fair value of these swaps was approximately \$1.0 million at December 31, 1999. The positive fair value indicates an estimated amount the Company would be paid to cancel the contracts or transfer them to other parties. In connection with the Credit Facility, the Company used an interest rate swap agreement with a notional amount of \$25 million to effectively convert a portion of its variable interest rate exposure to a fixed rate of 9.91%. The swap agreement expires on September 29, 2000. In connection with the Floating Rate Notes, the Company used two interest rate swap agreements, with notional amounts of \$50 million and \$25 million, respectively, to effectively convert its variable interest rate exposure to a fixed rate of 10.01% and 9.95%, respectively. The swap agreements expire on November 1, 2001 and 2000, respectively.

Independent Auditors' Report

The Board of Directors
MJD Communications, Inc.:

We have audited the accompanying consolidated balance sheets of MJD Communications, Inc. and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity (deficit), comprehensive loss and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MJD Communications, Inc. and subsidiaries as of December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

March 1, 2000, except as to the fourth
and twelfth paragraphs of note 6
which are as of March 27, 2000
Lincoln, Nebraska

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 1999 and 1998,
including unaudited pro forma information
as of December 31, 1999 (see Note 2)

	Pro Forma 1999 (see note 2) (unaudited)	1999	1998
	(Dollars in thousands)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 72,200	9,923	13,241
Accounts receivable, net of allowance for doubtful accounts of \$921 in 1999 and \$704 in 1998	25,658	25,658	19,112
Prepaid and other assets	4,039	4,039	3,283
Investments available-for-sale	7,327	7,327	—
Income taxes recoverable	1,453	1,453	—
Deferred income taxes	—	—	1,221
Total current assets	110,677	48,400	36,857
Property, plant, and equipment, net	178,296	178,296	142,321
Other assets:			
Investments	36,246	36,246	37,894
Goodwill, net of accumulated amortization	229,389	229,389	203,867
Debt issue costs, net of accumulated amortization	17,948	17,948	16,121
Covenants not to compete, net of accumulated amortization	3,706	3,706	2,938
Other	2,270	2,270	2,114
Total other assets	289,559	289,559	262,934
Total assets	\$578,532	516,255	442,112

See accompanying notes to consolidated financial statements.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

**December 31, 1999 and 1998,
including unaudited pro forma information
as of December 31, 1999 (see Note 2)**

Liabilities and Stockholders' Equity (Deficit)	Pro Forma 1999 (see note 2) (unaudited)	1999	1998
		(Dollars in thousands, except share data)	
Current liabilities:			
Accounts payable	\$ 12,778	12,778	10,153
Current portion of long-term debt	3,866	3,866	3,502
Demand notes payable	752	752	754
Current portion of obligation for covenants not to compete	1,236	1,236	881
Accrued interest payable	4,200	4,396	3,947
Accrued property taxes	2,078	2,078	1,847
Other accrued liabilities	7,647	7,647	4,407
Income taxes payable	—	—	588
Deferred income taxes	1,767	1,767	—
Total current liabilities	<u>34,324</u>	<u>34,520</u>	<u>26,079</u>
Long-term liabilities:			
Long-term debt, net of current portion	361,585	458,529	364,610
Put warrant obligation	—	—	4,169
Unamortized investment tax credits	577	577	632
Obligation for covenants not to compete, net of current portion ..	2,622	2,622	2,162
Deferred income taxes	25,039	25,039	27,950
Other liabilities	11,551	3,106	3,189
Total long-term liabilities	<u>401,374</u>	<u>489,873</u>	<u>402,712</u>
Minority interest	443	443	435
Common stock subject to put option, 1,752,000 shares	—	3,000	3,000
Stockholders' equity (deficit):			
Preferred stock:			
Series D nonvoting, convertible, cumulative participating, par value \$.01 per share, authorized 30,000,000 shares	215	—	—
Common stock:			
Class A voting, par value \$.01 per share, authorized 60,000,000 shares, issued and outstanding 34,450,940 shares	115	345	345
Class B nonvoting, convertible, par value \$.01 per share, authorized 50,000,000 shares	125	—	—
Class C nonvoting, convertible, par value \$.01 per share, authorized 4,600,000 shares	42	—	—
Additional paid-in capital	230,862	48,793	45,407
Unearned compensation	(15,926)	—	—
Accumulated other comprehensive income	4,187	4,187	—
Accumulated deficit	(77,229)	(64,906)	(35,866)
Total stockholders' equity (deficit)	<u>142,391</u>	<u>(11,581)</u>	<u>9,886</u>
Total liabilities and stockholders' equity	<u>\$578,532</u>	<u>516,255</u>	<u>442,112</u>

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 1999, 1998, and 1997

	1999	1998	1997
	(Dollars in thousands)		
Operating revenues:			
Switched services	\$108,430	72,124	39,257
Resold services	22,323	7,803	4,531
Other	16,786	12,080	3,975
Total operating revenues	147,539	92,007	47,763
Operating expenses:			
Plant operations	21,088	14,293	6,857
Corporate and customer service	54,901	27,635	12,483
Depreciation and amortization	31,632	20,089	8,777
Cost of services resold	19,190	6,163	4,791
Other general and administrative	9,028	7,265	2,416
Total operating expenses	135,839	75,445	35,324
Income from operations	11,700	16,562	12,439
Other income (expense):			
Net gain (loss) on sale of investments and other assets	512	651	(19)
Interest income	446	442	212
Dividend income	1,452	1,119	1,182
Interest expense	(51,185)	(27,170)	(9,293)
Other nonoperating, net	2,520	885	140
Total other expense	(46,255)	(24,073)	(7,778)
Earnings (loss) before income taxes and extraordinary item	(34,555)	(7,511)	4,661
Income tax (expense) benefit	5,615	2,112	(1,876)
Earnings (loss) before extraordinary item	(28,940)	(5,399)	2,785
Extraordinary item — loss on early retirement of debt, net of income tax benefit of \$1,755 in 1998 and \$2,296 in 1997	—	(2,521)	(3,611)
Loss before minority interest	(28,940)	(7,920)	(826)
Minority interest in income of subsidiaries	(100)	(80)	(62)
Net loss	\$(29,040)	(8,000)	(888)

See accompanying notes to consolidated financial statements.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Deficit)
Years ended December 31, 1999, 1998, and 1997

	Class A common stock	Additional paid-in capital	Accumulated other comprehensive income	Accumu- lated deficit	Total stockholders' equity (deficit)
	(Dollars in thousands, except share data)				
Balance, December 31, 1996	\$ 79	(75)	—	(2,146)	(2,142)
Net loss	—	—	—	(888)	(888)
Issuance of 9,751,600 shares of common stock	98	15,777	—	—	15,875
Conversion of redeemable preferred stock ..	—	112	—	—	112
Capital contribution	—	924	—	—	924
Repurchase of redeemable preferred stock ..	—	—	—	(24,541)	(24,541)
Redeemable preferred stock dividends	—	—	—	(279)	(279)
Balance, December 31, 1997	177	16,738	—	(27,854)	(10,939)
Net loss	—	—	—	(8,000)	(8,000)
Preferred stock dividends	—	—	—	(12)	(12)
Issuance of 18,590,800 shares of common stock	185	31,652	—	—	31,837
Reclassification of 1,752,000 shares of common stock subject to put option	(17)	(2,983)	—	—	(3,000)
Balance, December 31, 1998	345	45,407	—	(35,866)	9,886
Net loss	—	—	—	(29,040)	(29,040)
Change in unrealized gain on securities available-for-sale, net of tax effect of \$2,566	—	—	4,187	—	4,187
Increase in stock appreciation rights	—	3,386	—	—	3,386
Balance, December 31, 1999	<u>\$345</u>	<u>48,793</u>	<u>4,187</u>	<u>(64,906)</u>	<u>(11,581)</u>

See accompanying notes to consolidated financial statements.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
Years ended December 31, 1999, 1998, and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net loss	\$(29,040)	(8,000)	(888)
Change in unrealized gain on securities available—for—sale, net of tax effect of \$2,566	4,187	—	—
Comprehensive loss	<u>\$(24,853)</u>	<u>(8,000)</u>	<u>(888)</u>

See accompanying notes to consolidated financial statements.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 1999, 1998, and 1997

	1999	1998	1997
	(Dollars in thousands)		
Cash flows from operating activities:			
Net loss	\$(29,040)	(8,000)	(888)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	33,342	21,534	9,093
Provision for uncollectible revenue	634	390	—
Deferred income taxes	(6,711)	(1,653)	207
Income from equity method investments	(2,497)	(931)	—
Deferred patronage dividends	(380)	(265)	(585)
Minority interest in income of subsidiaries	100	80	62
Increase (decrease) in put warrant obligation	13,331	714	(295)
Compensation charge for stock appreciation rights	3,386	—	—
Net (gain) loss on sale of investments and other assets	(512)	(630)	17
Loss on early retirement of debt	—	2,897	1,864
Amortization of investment tax credits	(193)	(130)	(31)
Changes in assets and liabilities arising from operations, net of acquisitions:			
Accounts receivable	(853)	5,988	(1,563)
Prepaid and other assets	(23)	253	(106)
Accounts payable	(2,117)	(1,398)	1,664
Accrued interest payable	384	1,128	720
Accrued liabilities	2,773	689	636
Income taxes recoverable/payable	(3,920)	(5,799)	(956)
Total adjustments	36,744	22,867	10,727
Net cash provided by operating activities	7,704	14,867	9,839
Cash flows from investing activities:			
Acquisitions of telephone properties, net of cash acquired	(53,949)	(217,080)	(30,845)
Acquisition of property, plant, and equipment	(43,509)	(12,433)	(8,262)
Proceeds from sale of property, plant, and equipment	116	107	121
Distributions from investments	2,590	118	63
Payment on covenants not to compete	(988)	(219)	(94)
Acquisition of investments	(349)	(8)	(241)
Proceeds from sale of investments	20,065	4,088	403
Payments received on direct financing leases	—	—	249
Decrease in other assets/liabilities, net	(586)	(95)	(361)
Net cash used in investing activities	(76,610)	(225,522)	(38,967)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	138,943	510,583	71,134
Repayment of long-term debt	(52,056)	(307,763)	(22,104)
Purchase of stock warrants	(17,500)	—	—
Repurchase of preferred stock and warrants	—	(175)	(31,487)
Dividends paid to preferred stockholders	—	(12)	(279)
Net proceeds from the issuance of common stock	—	31,837	15,875
Loan origination costs	(3,703)	(17,345)	(1,949)
Payment of early retirement benefits	—	—	(25)
Dividends paid to minority stockholders	(4)	(6)	(4)
Release of restricted funds	—	—	561
Repayment of capital lease obligation	(92)	(45)	(25)
Net cash provided by financing activities	65,588	217,074	31,697
Net increase (decrease) in cash and cash equivalents	(3,318)	6,419	2,569
Cash and cash equivalents, beginning of year	13,241	6,822	4,253
Cash and cash equivalents, end of year	\$ 9,923	13,241	6,822

See accompanying notes to consolidated financial statements.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999, 1998, and 1997

(1) Organization and Summary of Significant Accounting Policies

Organization

MJD Communications, Inc. (MJD) provides management services to its wholly-owned subsidiaries: S T Enterprises, Ltd. (STE); MJD Ventures, Inc. (Ventures); MJD Services Corp. (Services); MJD Holdings Corp. (Holdings); FairPoint Communications Corp. (FairPoint); and MJD Capital Corp. STE, Ventures, Services, and Holdings also provide management services to their wholly-owned subsidiaries.

Collectively, the wholly-owned subsidiaries of STE, Ventures, Services, and Holdings primarily provide telephone local exchange services in various states. Operations also include resale of long distance services, internet services, cable services, equipment sales, and installation and repair services. MJD Capital Corp. leases equipment to other subsidiaries of MJD. FairPoint is a competitive local exchange carrier (CLEC) offering local and long distance, internet, and data services in various states.

STE's wholly-owned subsidiaries include Sunflower Telephone Company (Sunflower); Northland Telephone Company of Maine, Inc. and Northland Telephone Company of Vermont, Inc. (the Northland Companies); S T Communications, Inc.; and S T Long Distance, Inc. (S T Long Distance); Venture's wholly-owned subsidiaries include Sidney Telephone Company (Sidney); C-R Communications, Inc. (C-R); Taconic Telephone Corp. (Taconic); Ellensburg Telephone Company (Ellensburg); Chouteau Telephone Company (Chouteau); Utilities, Inc. (Utilities); Chautauqua & Erie Telephone Corporation (C&E); Columbus Grove Telephone Company (Columbus); The Orwell Telephone Company (Orwell) and Telephone Services Company (TSC). Services' wholly-owned subsidiaries include Bluestem Telephone Company (Bluestem); Big Sandy Telecom, Inc. (Big Sandy); Columbine Telecom Company (Columbine); Odin Telephone Exchange, Inc. (Odin); Kadoka Telephone Co. (Kadoka); Ravenswood Communications, Inc. (Ravenswood); Union Telephone Company of Hartford (Union); Armour Independent Telephone Co. (Armour); Yates City Telephone Company (Yates) and WMW Cable TV Co. (WMW).

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of MJD Communications, Inc. and its subsidiaries (the Company). All intercompany transactions and accounts have been eliminated in consolidation.

The accompanying unaudited pro forma balance sheet gives effect to significant subsequent events occurring in January and February 2000, as if they had occurred on December 31, 1999. Those subsequent events include authorizing additional classes of capital stock, issuing and reacquiring capital stock for net proceeds of \$159,282,000, borrowing additional debt of \$5,400,000, repaying debt and accrued interest payable in the amount of \$102,540,077, being released from put obligations on its common stock and recognizing compensation expense in the amount of \$28,249,011 for stock-based compensation to employees. See also note 2 for a description of these subsequent events.

The consolidated financial statements have been prepared using generally accepted accounting principles applicable to regulated entities. The Company's telephone subsidiaries follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment, as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, SFAS No. 71 requires the Company's telephone subsidiaries to depreciate telephone plant over useful lives that would otherwise be determined by management.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(1) Organization and Summary of Significant Accounting Policies (Continued)

SFAS No. 71 also requires deferral of certain costs and obligations based upon approvals received from regulators to permit recovery of such amounts in future years. The Company's telephone subsidiaries periodically review the applicability of SFAS No. 71 based on the developments in their current regulatory and competitive environments.

Revenue Recognition From Telephone Operations

Revenues are recognized as services are rendered and are primarily derived from the usage of the Company's networks and facilities or under revenue sharing arrangements with other telecommunications carriers. Revenues are derived from primarily three sources: access, pooling, and miscellaneous. Local access charges are billed to local end users under tariffs approved by each state's Public Utilities Commission. Access revenues are derived on the intrastate jurisdiction by billing access charges to interexchange carriers and to regional Bell operating companies. These charges are billed based on toll or access tariffs approved by the local state's Public Utilities Commission. Access charges for the interstate jurisdiction are billed in accordance with tariffs filed by the National Exchange Carrier Association (NECA) or by the individual company and approved by the Federal Communications Commission.

Revenues are determined on a bill and keep basis or a pooling basis. If on a bill and keep basis, the Company bills the charges to either the access provider or the end user and keeps the revenue. If the Company participates in a pooling environment (interstate or intrastate), the toll or access billed are contributed to a revenue pool. The revenue is then distributed to individual companies based on their company-specific revenue requirement. This distribution is based on individual state Public Utilities Commission (intrastate) or Federal Communications Commission's (interstate) approved separation rules and rates of return. Distribution from these pools can change relative to changes made to expenses, plant investment, or rate of return. Some companies participate in federal and certain state universal service programs that are pooling in nature but are regulated by rules separate from those described above. These rules vary by state.

Miscellaneous revenues are derived by billing to either end users, access providers, or other parties, services such as directory advertising, billing and collecting services, rent, etc. These services are typically billed under contract or under tariff supervision.

The costs of services resold are based primarily on the direct costs associated with owned and leased transmission capacity and the cost of transmitting and terminating traffic on other carriers' facilities. Revenues and costs of services resold are recognized as services are provided to local and long-distance end users.

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and temporary cash investments and trade receivables. The Company places its cash and temporary cash investments with high quality financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers in several states. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(1) Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of stock in CoBank, ACB (CoBank), Rural Telephone Bank (RTB), the Rural Telephone Finance Cooperative (RTFC), Illuminet Holdings, Inc. (Illuminet), and various cellular companies and partnerships and other minority equity investments in nonregulated entities. For the investments in partnerships, the equity method of accounting is used. All other investments are stated at cost. To determine if an impairment of an investment exists, the Company monitors and evaluates the financial performance of the business in which it invests and compares the carrying value of the investee to the fair values of similar investments, which in certain instances, is based on traditional valuation models utilizing multiples of cash flows. When circumstances indicate that a decline in the fair value of the investment has occurred and the decline is other than temporary, the Company records the decline in value as a realized loss and a reduction in the cost of the security. The Company did not incur any losses from other than temporary declines in fair value in 1999, 1998, and 1997.

At December 31, 1999, the investment in Illuminet stock was classified as available-for-sale in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. SFAS No. 115 requires fair value reporting for certain investments in debt and equity securities with readily determinable fair values. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of comprehensive income until realized.

The Company currently receives patronage dividends from its investments in businesses organized as cooperatives for federal income tax purposes (CoBank and RTFC stock). Patronage dividends represent cash distributions of the cooperative's earnings and notices of allocations of earnings to the Company. Deferred and uncollected patronage dividends are included as part of the basis of the investment until collected. The RTB investment pays dividends annually based on the discretion of its Board of Directors.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. Repairs and maintenance are charged to expense as incurred; major renewals and improvements are capitalized. For telephone companies, the original cost of depreciable property retired, together with removal cost, less any salvage realized, is charged to accumulated depreciation. For all other companies, the original cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. The telephone companies capitalize estimated costs of debt and equity funds used for construction purposes for projects greater than \$100,000. Depreciation is determined using the straight-line method for financial reporting purposes.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(1) Organization and Summary of Significant Accounting Policies (Continued)

Debt Issue Costs

Debt issue costs are being amortized over the life of the related debt, ranging from five to ten years. Accumulated amortization of loan origination costs was \$3,104,714 and \$1,255,730 at December 31, 1999 and 1998, respectively.

Intangible Assets

The covenants not to compete are being amortized over their useful life of three to five years. Accumulated amortization of covenants not to compete was \$1,470,000 and \$437,500 at December 31, 1999 and 1998, respectively.

Goodwill consists of the difference between the purchase price incurred in acquisitions using the purchase method of accounting and the fair value of net assets acquired. Goodwill is being amortized using the straight-line method over an estimated useful life of forty years. Accumulated amortization of goodwill was approximately \$12.4 million and \$6.9 million at December 31, 1999 and 1998, respectively.

The Company reviews its long-lived assets, including goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Pension and Other Postretirement Plans

One of the Company's subsidiaries sponsored a defined benefit plan covering substantially all of their employees. The benefits were based on years of service and the employee's compensation levels prior to retirement. Benefits under this plan were frozen in connection with the Company's acquisition of the company. Two of the Company's subsidiaries also sponsor other postretirement healthcare benefits for substantially all retirees. The net periodic costs of pension and other postretirement benefit plans are recognized as employees render the services necessary to earn the postretirement benefits.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(1) Organization and Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments

The Company uses interest rate swaps to manage its exposure to fluctuations in interest rates of its variable rate debt. Amounts receivable or payable under interest rate swap agreements are accrued at each balance sheet date and included as adjustments to interest expense.

Stock-Based Compensation

The Company accounts for its stock option plan using the intrinsic value-based method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation*, permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. SFAS No. 123 allows entities to continue to apply the provisions of APB No. 25 and provide pro forma net income disclosures as if the fair-value method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

Stock Appreciation Rights

Stock appreciation rights have been granted to certain members of management by principal shareholders of the Company. The Company accounts for stock appreciation rights in accordance with Financial Accounting Standards Board Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. The Company measures compensation as the amount by which the market value of the shares of the Company's stock covered by the grant exceeds the option price or value specified, by reference to a market price or otherwise, subject to any appreciation limitations under the plan and a corresponding credit to additional paid-in capital. Changes, either increases or decreases, in the market value of those shares between the date of the grant and the measurement date result in a change in the measure of compensation for the right. Valuation of stock appreciation rights is typically based on traditional valuation models utilizing multiples of cash flows, unless there is a current market value for the Company's stock.

Reclassifications

Certain amounts have been reclassified for comparability with the 1999 presentation.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and reported amounts of revenues and expenses, to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(2) Subsequent Events

The accompanying unaudited pro forma balance sheet gives effect to significant subsequent events occurring in January and February 2000, as if they had occurred on December 31, 1999. Those subsequent

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(2) Subsequent Events (Continued)

events include authorizing additional classes of capital stock, issuing and reacquiring capital stock for net proceeds of \$159,282,000, borrowing additional debt of \$5,400,000, repaying debt and accrued interest payable in the amount of \$102,540,077, being released from put obligations on its common stock and recognizing compensation expense in the amount of \$28,249,011 for stock-based compensation to employees.

Additional Classes of Capital Stock

On January 19, 2000, the Company amended its articles of incorporation to authorize an aggregate of 144,600,000 shares of capital stock. Following the amendment, the authorized share capital of the Company includes the following:

Class A common stock—authorized 60,000,000 voting common shares at a par value of \$.01 per share. Class A common shares carry one vote per share.

Class B common stock—authorized 50,000,000 nonvoting, convertible common shares at a par value of \$.01 per share. The Class B common shares are automatically convertible into Class A common shares upon the receipt of all governmental approvals necessary to effectuate a change in control. The conversion rate for the Class B common shares to Class A common shares is one-for-one.

Class C common stock—authorized 4,600,000 nonvoting, convertible common shares at a par value of \$.01 per share. The Class C common shares are automatically convertible into Class A common shares upon either the completion of an initial public offering of at least \$150 million of the Company's Class A common stock or the occurrence of certain conversion events, as defined in the articles of incorporation. The conversion rate for the Class C common shares to Class A common shares is one-for-one.

Series D preferred stock—authorized 30,000,000 nonvoting, convertible, cumulative participating preferred shares at a par value of \$.01 per share.

The Series D preferred shares are automatically convertible into Class A common shares upon the receipt of all regulatory approvals necessary to effectuate a change in control. Series D preferred shares may be converted into Class B common shares at any time. The conversion rate for the Series D preferred shares to either Class A or B common shares is one-for-one. Any portion of the accrued and unpaid dividends is also convertible into additional Class A or B common shares based upon a conversion rate of \$13.12 per share.

The Series D preferred shares do not provide for the payment of dividends for up to one year following their issuance. If the Series D preferred shares are not converted into Class A common shares within one year of issue, dividends accrue on a daily basis at a rate of 7.0% per annum, retroactively from the date of issue. If not converted by the eighth annual anniversary of their issuance, the dividend rate per annum increases by 2.0% annually up to a maximum dividend rate of 13.0%. In the event that the Company provides a stock dividend to its Class A common shareholders, the holders of Series D preferred shares are entitled to receive a dividend of preferred shares at an equal rate. The Company also has the option of redeeming all outstanding shares of Series D preferred shares at a price equal to liquidation value plus accrued dividends.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(2) Subsequent Events (Continued)

On January 23, 2000, the Company declared a twenty-for-one stock split in the form of a stock dividend. This stock split has been given retroactive effect in the accompanying consolidated financial statements.

Issuance and Reacquisition of Capital Stock

Through January 31, 2000, the Company effected the following changes in its capital stock accounts. Dollar amounts are presented in thousands.

	Class A Common subject to put option		Series D Preferred		Class A Common		Class B Common		Class C Common		Additional paid-in capital
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Balance at December 31, 1999	1,752,000	\$ 3,000	—	\$ —	34,450,940	\$ 345	—	\$ —	—	\$—	\$ 48,793
Issuance of common stock under stock options and warrants	—	—	—	—	307,200	3	—	—	—	—	132
Issuance of capital stock for cash proceeds, net of direct expenses of approximately \$23.4 million	—	—	4,673,920	47	100,160	1	4,243,728	42	4,269,440	42	150,705
Exchange of Class A common shares for Class B common and Series D preferred shares	—	—	16,787,800	168	(25,087,800)	(251)	8,300,000	83	—	—	—
Reclassification of Class A common subject to put option	(1,752,000)	(3,000)	—	—	1,752,000	17	—	—	—	—	2,983
Compensation charges for stock-based compensation . .	—	—	—	—	—	—	—	—	—	—	28,249
Balance at January 31, 2000 . .	—	\$ —	21,461,720	\$215	11,522,500	\$ 115	12,543,728	\$125	4,269,440	\$42	\$230,862

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(2) Subsequent Events (Continued)

Shares of Class A common stock issued under stock options and warrants included 35,300 shares issued under the MJD Communications, Inc. Stock Incentive Plan (1998 Plan), 255,360 shares issued under the 1995 Stock Option Plan (1995 Plan), and 16,580 shares issued pursuant to warrants in a cashless exercise. Options surrendered in lieu of cash were 5,300 under the 1998 Plan and 4,980 under the 1995 Plan. Following the conversion of these Class A common shares into Series D preferred shares, the newly issued Series D preferred shares were sold to a new principal shareholder of the Company.

At a price of \$13.12 per share, the Company issued 4,673,920 shares of Series D preferred stock, 100,160 shares of Class A common stock, 4,243,728 shares of Class B common stock and 4,269,440 shares of Class C common stock. Net proceeds from the issuance of capital stock was \$159,282,000. Direct costs of approximately \$23.4 million associated with the issuance of this capital stock were recorded as a reduction to paid-in capital. These costs included approximately \$9.6 million of transaction fees and expenses paid to a new principal shareholder, transaction fees of \$8.4 million which will be accrued to be paid to an existing shareholder upon liquidation of their holdings, and \$0.4 million for services rendered in consummating the transaction paid to a law firm in which a partner of the firm is a shareholder of the Company. The Company also entered into advisory and consulting agreements with both principal shareholders which require payments to each of approximately \$500,000 per annum by the Company through December 31, 2006.

The Company reacquired 25,087,800 Class A common shares in exchange for 16,787,800 shares of Series D preferred stock and 8,300,000 shares of Class B common stock. The Class A common shares were retired upon reacquisition.

Issuance and Repayment of Debt

In January 2000, FairPoint borrowed an additional \$5,400,000 under its convertible senior secured revolving credit facility. On January 20, 2000, the Company repaid borrowings of \$75,196,802 under the Company's senior secured credit facility and \$27,146,966 under FairPoint's credit facility including accrued interest of \$196,309. Interest expense on these borrowings was approximately \$1.4 million during 1999.

Release of Put Obligation

On January 20, 2000, the Company was released from put obligations associated with shareholder loan agreements secured by 1,752,000 shares of the Company's Class A common shares. As a result, the Company reclassified \$3,000,000 from temporary equity to the permanent capital accounts of the Company.

Compensation Expense

On January 20, 2000, the Company's Board of Directors amended a grant of options to purchase 40,600 shares of the Company's Class A common stock under the 1998 Plan to make those options immediately exercisable and fully vested. The options were previously exercisable only upon the occurrence of a qualifying liquidating event, as defined under the 1998 Plan. A compensation charge of \$463,002 was recognized in connection with the amendment of the options. As discussed above, these options to purchase shares of Class A common shares were exercised in January 2000, converted into Series D preferred shares, and sold to a new principal shareholder of the Company for cash.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(2) Subsequent Events (Continued)

As discussed above, options to purchase 260,340 shares of Class A common stock under the 1995 Plan were exercised in January 2000, converted into Series D preferred shares and sold to a new principal shareholder of the Company for cash. As a result, the Company recorded a compensation charge of \$3,349,665.

On January 20, 2000, certain of the Company's principal shareholders sold newly issued Series D preferred shares for cash to a third party. The transaction was subject to the requirements of shareholders' agreements whereby the selling shareholder is obligated to provide a cash payment to the Company's founding shareholders, including two employee-shareholders. (See also note 10.) In addition, another of the Company's principal shareholders transferred 1,093,060 shares of Series D preferred shares to the employee-shareholders in settlement of its cash payment obligation under the shareholders' agreements. As a result of these transactions, the Company recognized a compensation charge of \$8,510,626.

On February 23, 2000, the Company's board of directors approved a transaction whereby the Company will grant stock options under the 1998 Plan to employee participants in the FairPoint Communications Corp. Stock Incentive Plan (FairPoint Plan) in consideration of the cancellation of all options previously granted under the FairPoint Plan. FairPoint also intends to provide a bonus program for option holders in order to maintain the same economic benefits as previously existed under the FairPoint Plan. Under the transaction, which is pending ratification by the FairPoint option holders, the Company will grant options to purchase 1,618,820 shares of Class A common stock under the 1998 Plan at an exercise price of \$3.28 per share. Upon cancellation of the Fairpoint options, the Fairpoint Plan will be terminated. The total compensation charge of \$15,925,718 related to the option grant will be amortized over the vesting period of five years. This charge has been reflected in the unaudited pro forma balance sheet as of December 31, 1999 as unearned compensation and an increase to additional paid-in capital. The vesting period may accelerate in the event of a change in control, as defined in the plan agreement. FairPoint also intends to provide a cash bonus of \$5,308,573 to its employees, which will be amortized over the vesting period of five years. In connection with this transaction, the Company increased the number of shares authorized under the 1998 Plan to 9,817,482 shares.

(3) Acquisitions

Certain subsidiaries of MJD acquired telephone properties through a number of acquisitions in 1998 and 1999.

On March 30, 1998, the Company acquired 100% of the common stock of Taconic. On April 30, 1998, the Company acquired 100% of the common stock of Ellensburg. On June 1, 1998, the Company acquired 100% of the common stock of Chouteau. On November 6, 1998, the Company acquired 100% of the common stock of Utilities. The aggregate purchase price for these acquisitions was \$224.1 million.

On February 1, 1999, the Company acquired 100% of the common stock of Ravenswood. On February 16, 1999, the Company acquired 100% of the common stock of Columbus. On April 30, 1999, the Company acquired 100% of the common stock of Union, Armour and WMW. On September 1, 1999, the Company acquired 100% of the common stock of Yates. On December 17, 1999 the Company acquired 100% of the common stock of Orwell. The aggregate purchase price for these acquisitions was \$75.3 million.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(3) Acquisitions (Continued)

Acquisition costs were approximately \$0.9 million and \$1.2 million in 1999 and 1998, respectively. The acquisitions have been accounted for using the purchase method and, accordingly, the results of their operations have been included in the Company's consolidated financial statements from the date of acquisition. The excess of the purchase price and acquisition costs over the fair value of the net identifiable assets acquired was approximately \$36.7 million and \$156.5 million and has been recognized as goodwill in 1999 and 1998, respectively. The Company's allocation of purchase price for Orwell is preliminary because the Company has not been able to obtain all of the data required to complete the allocation for this recently acquired business.

The allocation of the total net purchase price for the 1999 and 1998 acquisitions are shown on the table below:

	<u>1999</u>	<u>1998</u>
	(Dollars in thousands)	
Current assets	\$ 25,484	27,539
Property, plant, and equipment	18,675	85,161
Excess cost over fair value of net assets acquired	36,710	156,540
Other assets	11,598	30,577
Current liabilities	(2,113)	(15,967)
Noncurrent liabilities	<u>(14,131)</u>	<u>(58,606)</u>
Total net purchase price	<u>\$ 76,223</u>	<u>225,244</u>

The Company has entered into agreements to acquire two additional rural local exchange carriers in 2000. The aggregate purchase price for the acquisitions is expected to approximate \$245.0 million and will be financed through existing and new debt facilities and issuance of equity. (See notes 2 and 6.)

The following unaudited pro forma information presents the combined results of operations of the Company as though the acquisitions in 1999 and 1998 occurred on January 1, 1998. These results include certain adjustments, including amortization of goodwill, increased interest expense on debt related to the acquisitions, and related income tax effects. The pro forma financial information does not necessarily reflect the results of operations if the acquisitions had been in effect at the beginning of each period or which may be attained in the future.

	<u>Pro forma years</u> <u>ended December 31,</u>	
	<u>1999</u>	<u>1998</u>
	(Dollars in thousands) (unaudited)	
Revenues	\$156,627	135,706
Loss before extraordinary item	30,912	193
Net loss	30,912	2,714

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(4) Property, Plant, and Equipment

A summary of property, plant, and equipment as of December 31, 1999 and 1998 is shown on the table below:

	Estimated life (in years)	1999	1998
(Dollars in thousands)			
Land	—	\$ 1,640	1,442
Buildings and leasehold improvements	2—40	22,993	19,101
Telephone equipment	3—50	327,824	263,029
Cable equipment	3—20	1,615	5,332
Furniture and equipment	3—32	13,433	9,333
Vehicles and equipment	3—27	12,804	10,610
Computer software	3—10	3,567	365
Total property, plant, and equipment		383,876	309,212
Accumulated depreciation		(205,580)	(166,891)
Net property, plant, and equipment		<u>\$ 178,296</u>	<u>142,321</u>

The composite depreciation rate for property and equipment was 7.36% in 1999, 7.39% in 1998, and 6.66% in 1997. Construction expenditures for 2000 are expected to approximate \$123 million. The Company anticipates funding construction from operations and existing debt facilities.

(5) Investments

At December 31, 1999, the cost, unrealized holding gain, and fair value of Illuminet stock, the Company's only investment classified as available-for-sale, was \$573,605, \$6,753,275 and \$7,326,880, respectively. The unrealized holding gain is reported as a separate component of comprehensive income, net of related taxes of \$2,566,245. At December 31, 1998, Illuminet stock was carried at cost, as there was no readily determinable fair value. There were no sales of available-for-sale securities during 1999, 1998 and 1997.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(5) Investments (Continued)

The Company's non-current investments consist of the following at December 31, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
	(Dollars in thousands)	
Investment in cellular companies and partnerships	\$22,374	27,047
RTB stock	10,259	6,934
Illuminet stock	—	421
CoBank stock and unpaid deferred CoBank patronage	2,326	1,958
RTFC secured certificates and unpaid deferred RTFC patronage	688	1,055
Other nonmarketable minority equity investments	599	479
Total investments	<u>\$36,246</u>	<u>37,894</u>

The investments in cellular partnerships accounted for under the equity method and the Company's ownership percentage as of December 31, 1999 follow:

Chouteau Cellular Telephone Company	33.0%
GTE Ohio RSA #3 LP	25.0%
Illinois Valley Cellular RSA2—I Ptnrs	13.3%
Illinois Valley Cellular RSA2—II Ptnrs	13.3%
Illinois Valley Cellular RSA2—III Ptnrs	13.3%
ILLINET Communications, LLC	9.1%
Orange County-Poughkeepsie Limited Partnership	7.5%
Illinetworks, LLC	7.4%
ILLINET Communications of Central IL LLC	5.2%

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(6) Long-term Debt

Long-term debt at December 31, 1999 and 1998 is shown below:

	Pro Forma 1999 (see note 2) (unaudited)	1999	1998
		(Dollars in thousands)	
Senior secured notes payable, variable rates ranging from 8.13% to 10.00% at December 31, 1999, due 2004 to 2007	\$140,316	215,513	141,841
Senior subordinated notes due 2008:			
Fixed rate, 9.50%	125,000	125,000	125,000
Variable rate, 10.32% at December 31, 1999	75,000	75,000	75,000
Senior secured revolving note payable, variable rate of 10.75% to 11.75% at December 31, 1999, due 2004	—	21,747	—
Senior notes payable to RTFC:			
Fixed rate, 9.20%, due 2009	4,532	4,532	4,918
Variable rates ranging from 6.95% to 8.80% at December 31, 1999, due 2009	6,795	6,795	7,362
Subordinated promissory notes payable, 7.00%, due 2005	7,000	7,000	7,000
First mortgage notes payable to Rural Utilities Service, fixed rates ranging from 8.72% to 10.78%, due 2009 to 2016	6,459	6,459	6,679
Other debt, 5.75% to 9.50%, due 2000 to 2004	349	349	312
Total outstanding long-term debt	<u>365,451</u>	<u>462,395</u>	<u>368,112</u>
Less current portion	<u>(3,866)</u>	<u>(3,866)</u>	<u>(3,502)</u>
Total long-term debt, net of current portion	<u>\$361,585</u>	<u>458,529</u>	<u>364,610</u>

The approximate aggregate maturities of long-term debt for each of the five years subsequent to December 31, 1999 are as follows:

<u>Fiscal year</u>	<u>(Dollars in thousands)</u>
2000	\$ 3,866
2001	4,425
2002	4,601
2003	4,766
2004	112,247
Thereafter	<u>332,490</u>
	<u>\$462,395</u>

On March 30, 1998, the Company closed a \$315 million senior secured credit facility (the Credit Facility) which committed \$75 million of term debt (tranche C) amortized over nine years, \$155 million of term debt (tranche B) amortized over eight years, and an \$85 million reducing revolving credit facility with a term of 6.5 years. Approximately \$215.5 million senior secured notes payable were outstanding under the Credit Facility at December 31, 1999. Borrowings under the facility bear interest at a rate based, at the option of the Company, on the participating banks' prime rate or Euro dollar rate, plus an incremental rate

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(6) Long-term Debt (Continued)

of 3.0%, 2.75%, and 2.5% for the Euro dollar margin and 2.0%, 1.75%, and 1.50% for the prime rate margins for the tranche C, tranche B, and revolver facility, respectively. The Credit Facility is secured by a perfected first priority pledge of the stock of certain subsidiaries of the Company as well as the promissory notes evidencing intercompany advances. The Credit Facility is also guaranteed by four of the Company's intermediary holding companies, subject to contractual or regulatory restrictions. The Company pays fees of ½ of 1% per annum on the aggregate unused portion of the revolver and tranche B commitment, in addition to an annual administrative agent's fee. The Company used an interest rate swap agreement, with a notional amount of \$25 million, to effectively convert a portion of its variable interest rate exposure to a fixed rate of 9.91%. The swap agreement expires on September 29, 2000. As discussed in note 2, the Company repaid \$75.2 million of its borrowings under the Credit Facility in January 2000.

On March 14, 2000, an additional \$165 million was committed and available to the Company under the Credit Facility.

The Credit Facility contains various restrictions, including those relating to payment of dividends by the Company. In management's opinion, the Company has complied with all such requirements or obtained a waiver letter for events of non-compliance. Substantially all assets of the Company are collateralized to secure the Credit Facility.

On May 5, 1998, the Company consummated a debt offering consisting of \$125 million in aggregate principal amount of Senior Subordinated Notes due 2008 (the Fixed Rate Notes), and \$75 million in aggregate principal amount of Floating Rate Callable Securities due 2008 (the Floating Rate Notes). The notes are unsecured obligations of the Company and are subordinated to all existing and future senior indebtedness. Interest on the notes is payable semiannually. Interest on the Fixed Rate Notes is 9.5% and interest on the Floating Rate Notes is equal to a rate per annum at LIBOR plus 418.75 basis points. As to the Floating Rate Notes, the Company used two interest rate swap agreements, with notional amounts of \$50 million and \$25 million, respectively, to effectively convert its variable interest rate exposure to a fixed rate of 10.01% and 9.95%, respectively. The swap agreements expire on November 1, 2001 and November 1, 2000, respectively.

The Fixed Rate Notes are redeemable, in whole or in part, at the option of the Company, at any time on or after May 1, 2003 at redemption prices (expressed as a percentage of the principal amount) declining annually from 104.7% beginning May 1, 2003 to 100% beginning May 1, 2006 and thereafter, together with accrued interest to the redemption date and subject to certain conditions. Notwithstanding the foregoing, on or prior to May 1, 2001, the Company may redeem up to 35% of the aggregate principal amount of the Fixed Rate Notes at a redemption price of 109.5% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date, with the proceeds of an equity offering.

The Floating Rate Notes are redeemable, in whole or in part, at any time at the option of the Company, at redemption prices (expressed as a percentage of the principal amount) declining annually from 105% beginning May 1, 1998 to 100% beginning May 1, 2003 and thereafter, together with accrued interest to the redemption date and subject to certain conditions.

The Fixed and Floating Rate Notes' indenture places certain restrictions on the ability of the Company to (i) incur additional indebtedness, (ii) make restricted payments (dividends, redemptions, and certain other payments), (iii) incur liens, (iv) issue and sell stock of a subsidiary, (v) sell or otherwise dispose of property, business, or assets, (vi) enter into sale and leaseback transactions, (vii) engage in

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(6) Long-term Debt (Continued)

business other than the telecommunications business, and (viii) engage in transactions with affiliates. In management's opinion, the Company has complied with all such requirements.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its interest rate swap agreements. The Company anticipates, however, that the counterparties will be able to fully satisfy their obligations under the contracts.

On October 20, 1999, FairPoint closed a \$100 million convertible senior secured revolving credit facility (the FairPoint Credit Facility). Under the FairPoint Credit Facility, funds are available on a revolving basis, for a period up to five years from the date of closing. Borrowings under the FairPoint Credit Facility are secured by all existing and future assets of FairPoint and by 100% of the stock of FairPoint's subsidiaries. Pursuant to the terms of the FairPoint Credit Facility, FairPoint is required to comply with certain financial covenants. Upon an uncured default of certain covenants or if the debt is not paid at final maturity, at the lenders' option, an exchange of all outstanding indebtedness plus outstanding and accrued interest for an equal dollar amount of payment in-kind preferred stock issued by the Company shall be available as additional security. At December 31, 1999, FairPoint was in compliance with all financial covenants. Borrowings under the FairPoint Credit Facility are approximately \$21.7 million at December 31, 1999. As discussed in note 2, the Company borrowed an additional \$5,400,000 and repaid all borrowings of \$27,146,966 under the FairPoint Credit Facility in January 2000.

In conjunction with the senior notes payable to RTFC, one of the Company's subsidiaries, Utilities, is subject to restrictive covenants limiting the amount of dividends that may be paid. At December 31, 1999, Utilities was in compliance with these restrictions.

The Company has available a line of credit, with a total maximum limit of \$1,000,000, expiring in 2000. No borrowings have been made under this line of credit at December 31, 1999.

The Company also has \$752,000 unsecured demand notes payable to various individuals and entities with interest payable at 5.75%.

(7) Employee Benefit Plans

The Company sponsors a voluntary 401(k) savings plan (the 401(k) Plan) that covers substantially all eligible employees. Each 401(k) Plan year, the Company contributes to the 401(k) Plan an amount of matching contributions determined by the Company at its discretion. For the 401(k) Plan years ended December 31, 1999, 1998, and 1997, the Company matched 100% of each employee's contribution up to 3% of compensation and 50% of additional contributions up to 6%. The 401(k) Plan also allows for a profit sharing contribution that is made based upon management discretion. Total Company contributions to the 401(k) Plan were \$2,291,520, \$1,163,906, and \$422,069, for the years ended December 31, 1999, 1998 and 1997, respectively.

In 1999, the Company began a Non-Qualified Deferred Compensation Plan (the NQDC Plan) that covers certain employees. The NQDC Plan allows highly compensated individuals to defer additional compensation beyond the limitations of the 401(k) Plan. Company matching contributions are subject to the same percentage as the 401(k) Plan. Total Company contributions to the NQDC Plan were \$61,583 for the year ended December 31, 1999.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(7) Employee Benefit Plans (Continued)

C&E and Taconic also sponsor defined contribution 401(k) retirement savings plans for union employees. C&E and Taconic match contributions to these plans based upon a percentage of pay of all qualified personnel and make certain profit sharing contributions. Contributions to the plans were approximately \$205,000 and \$154,000, for the years ended December 31, 1999 and 1998, respectively.

One of the Company's subsidiaries has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation before retirement. The plan benefits were frozen in 1998 in connection with the Company's acquisition of the subsidiary. There is no additional minimum pension liability required to be recognized and plan assets are sufficient to cover all plan obligations.

Two of the Company's subsidiaries sponsor healthcare plans that provide postretirement medical benefits and other benefits to employees who meet minimum age and service requirements upon retirement. The liabilities for the postretirement medical benefits plans were not material to the consolidated financial statements at December 31, 1999 and 1998.

Certain shareholders of the Company granted stock appreciation rights to certain members of management. The stock appreciation rights are fully vested. The stock appreciation rights may be settled in cash or stock, at the option of the granting shareholders. In connection with the stock appreciation rights, the Company recorded compensation expense of approximately \$3,386,000 in 1999.

(8) Income Taxes

Income tax (expense) benefit before extraordinary item consists of the following components:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars in thousands)		
Current:			
Federal	\$ (1,109)	346	(1,426)
State	(180)	(17)	(274)
Total current income tax (expense) benefit	<u>(1,289)</u>	<u>329</u>	<u>(1,700)</u>
Investment tax credits	<u>193</u>	<u>130</u>	<u>31</u>
Deferred:			
Federal	5,819	1,047	(130)
State	892	606	(77)
Total deferred income tax (expense) benefit	<u>6,711</u>	<u>1,653</u>	<u>(207)</u>
Total income tax (expense) benefit	<u>\$ 5,615</u>	<u>2,112</u>	<u>(1,876)</u>

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(8) Income Taxes (Continued)

Total income tax (expense) benefit in 1999, 1998, and 1997, was different than that computed by applying U. S. federal income tax rates to earnings before income taxes. The reasons for the differences are shown below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars in thousands)		
Computed "expected" tax (expense) benefit	\$ 11,748	2,553	(1,585)
State income tax (expense) benefit, net of federal income tax benefit	471	389	(232)
Amortization of investment tax credits	193	130	31
Goodwill amortization	(1,559)	(887)	(186)
Change in fair value of put warrant obligation	(4,681)	(242)	100
Disallowed expenses and other	(557)	169	(4)
Total income tax (expense) benefit	<u>\$ 5,615</u>	<u>2,112</u>	<u>(1,876)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1999 and 1998 are presented below:

	<u>1999</u>	<u>1998</u>
	(Dollars in thousands)	
Deferred tax assets:		
Federal and state tax loss carryforwards	\$ 1,056	1,032
Employee benefits	586	1,010
Allowance for doubtful accounts	213	211
Alternative minimum tax credits	1,930	1,296
Warrants issued in connection with early retirement of debt	—	291
Total gross deferred tax assets	<u>3,785</u>	<u>3,840</u>
Less, valuation allowance	<u>—</u>	<u>—</u>
Net deferred tax assets	3,785	3,840
Deferred tax liabilities:		
Property, plant, and equipment, principally due to depreciation differences	16,605	17,242
Goodwill, due to amortization differences	2,471	1,903
Basis in investments	8,949	11,424
Unrealized gain on investments	2,566	—
Total gross deferred tax liabilities	<u>30,591</u>	<u>30,569</u>
Net deferred tax liabilities	<u>\$26,806</u>	<u>26,729</u>

The Company has minimum tax credits of approximately \$1.9 million which may be carried forward indefinitely. Management has concluded that no valuation allowance is required because the full benefit of the deferred tax assets will be realized through the future reversals of the deferred tax liabilities.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(9) Warrants

In connection with the issuance of subordinated notes in 1994, the Company issued detachable warrants to purchase 10,000 shares of STE's common stock at the stated par value of \$.01 per share. In conjunction with the retirement of the subordinated notes in 1997, MJD required STE to issue additional warrants to purchase 2,857 shares of STE's common stock. This noncash transaction was recognized as part of the loss on the early retirement of debt in 1998 as described in note 10. The agreement stipulates that the put/call price of the warrants should equal STE's net equity, as defined in the agreement, multiplied by the ratio of exercisable warrants to the number of shares of common stock outstanding on a fully-diluted basis on the date of the put or call.

The Company recorded the obligation for the warrants based on the fair value of STE's common stock as determined by management, at the issuance date of the warrants. At each balance sheet date, the warrants were valued utilizing cash flow models that management also uses in valuing potential acquisitions. Those models estimate fair value using earnings before interest, taxes, depreciation, and amortization (EBITDA), and multiples of EBITDA for recent acquisitions of similar companies. The increase or decrease in fair value of the obligation for the warrants is recognized in earnings as interest expense. In December 1999, the Company purchased the STE warrants for \$17.5 million. The increase in the value of the STE obligation during 1999 was \$13.3 million.

In addition, the Company previously issued warrants to purchase 7.69 shares, representing 7.14% of Sidney's common stock. The Company estimated the fair value of the warrants at the date of issuance and included the fair value in the initial allocation of purchase price for Sidney's common stock, with the related value of the warrants issued to minority shareholders included in the obligation for minority interests. In December 1999, the Company purchased the Sidney warrants for \$0.5 million. The excess \$0.4 million associated with the Sidney warrants was accounted for as an acquisition of minority interest and an increase to goodwill.

(10) Stockholders' Equity and Recapitalization

Effective July 31, 1997, a recapitalization of the Company was completed. The Company issued 8,846,720 shares of its Class A common stock to unrelated third parties and members of management for proceeds of approximately \$15.1 million (net of offering expenses of \$925,602). These proceeds, together with additional borrowings of \$39.2 million from CoBank and the issuance of subordinated promissory notes in the amount of \$3.5 million, were utilized to repurchase and retire the remaining Series A preferred stock, all shares of Series C preferred stock not owned by members of management, and all the warrants and contingent warrants (the Warrants) to purchase the Company's Class A common stock not owned by members of management for approximately \$35.0 million. The difference between the carrying value of the Series A and Series C preferred stock, and the Warrants and the price at which the stock was repurchased and retired (\$24.5 million), was charged to retained earnings as it represents a return to the preferred shareholders. In conjunction with the recapitalization, STE also retired the subordinated notes payable of \$11,562,133. As a result of retiring the subordinated debt of STE, the Company recognized an extraordinary loss of approximately \$3.6 million (net of taxes of \$2.3 million), consisting of prepayment penalties of approximately \$4.0 million, the write-off of existing deferred financing costs of approximately \$1.1 million, and the issuance of additional put warrants valued at \$750,000. The additional put warrants were issued to the holders of the STE warrants and debt in consideration of their consent to retire the STE debt (see also note 9).

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(10) Stockholders' Equity and Recapitalization (Continued)

In connection with the recapitalization of the Company, two of the Company's shareholders entered into shareholder agreements with the Company and its founding shareholders. At December 31, 1999, those two shareholders represented 2,834,160 shares (or 8.2%) of the Company's outstanding common stock. Under the shareholder agreement, the Company's founding shareholders are entitled to a cash payment as a result of the sale of the Company's common stock to a third party by either of the two shareholders. The amount of the cash payment is dependent upon the price of the shares sold and is contingent upon their continued employment. Because the amount of their payment is ultimately dependent upon their continuing employment, the Company will recognize compensation expense for their amount of cash payment in the event that an exit payment becomes due under their shareholder agreements. See note 2 for the amount of compensation expense recognized by the Company subsequent to December 31, 1999 as a result of these agreements.

During 1997, a shareholder of MJD contributed the net assets of Holdings, totaling \$150,000, in consideration for 29,000 shares of Class A common stock. Also in 1997, existing subordinated notes payable to stockholders of the Company in the amount of \$923,500 were contributed as additional capital.

In October 1997, an additional 875,880 shares of Class A common stock were issued for proceeds of \$1.5 million.

On March 30, 1998 and April 30, 1998, the Company issued a total of 18,590,800 shares of its Class A common stock to unrelated third parties and members of management for proceeds of approximately \$31.8 million. These proceeds were used to finance the acquisition of Taconic and Ellensburg.

(11) Stock Option Plans

The Company sponsors the 1995 Plan that covers officers, directors, and employees of the Company. The Company may issue qualified or nonqualified stock options to purchase up to 1,136,800 shares of the Company's Class A common stock to employees that will vest equally over five years from the date of employment of the recipient and are exercisable during years five through ten. In 1995, the Company granted options to purchase 852,800 shares at \$0.25 per share. There were no options granted since 1995.

The per share weighted-average fair value of stock options granted during 1995 was \$0.65 on the date of grant using the Black Scholes option-pricing model. Input variables used in the model included no expected dividend yields, a risk-free interest rate of 6.41%, and an estimated option life of five years. Because the Company was nonpublic on the date of the grant, no assumption as to the volatility of the stock price was made.

In December 1998, the Company adopted the FairPoint Plan for employees of its subsidiary, FairPoint. Under the FairPoint Plan, participating employees are granted options to purchase common stock of FairPoint at exercise prices not less than the fair value of FairPoint common stock at the date of the grant. The FairPoint Plan authorizes grants of options to purchase up to 1,000,000 shares of authorized, but unissued common stock. All stock options have ten-year terms and vest in 25% increments on the second, third, fourth and fifth anniversaries of an individual grant. In the event of a change in control, outstanding options will vest immediately.

Shares issued to employees under the FairPoint Plan are subject to a call option by FairPoint. Under the call option, FairPoint may repurchase those shares held by terminating employees at fair value if the

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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(11) Stock Option Plans (Continued)

shares were held by the employee for a minimum holding period of not less than six months. The FairPoint Plan also provides for the reacquisition of common shares by FairPoint in the event of death or disability of the option-holder.

At December 31, 1999, there were options available for grant of 114,500 additional shares under the FairPoint Plan. The per share weighted-average fair value of stock options granted during 1999 was \$0.30 on the date of grant using the Black Scholes option-pricing model. Input variables used in the model included no expected dividend yields, a risk-free interest rate of 5.25%, and an estimated option life of ten years. Because the Company was nonpublic on the date of the grant, no assumption as to the volatility of the stock price was made.

The Company applies APB Opinion No. 25 in accounting for its 1995 and FairPoint Plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income for 1999, 1998 and 1997 would not have been significantly reduced.

Stock option activity for 1999, 1998, and 1997 under the 1995 and FairPoint Plans is summarized as follows:

	1995 Plan			FairPoint Plan
	1999	1998	1997	1999
Outstanding at January 1	852,800	852,800	852,800	—
Granted	—	—	—	970,500
Exercised	—	—	—	—
Canceled or forfeited	—	—	—	(85,000)
Outstanding at December 31	<u>852,800</u>	<u>852,800</u>	<u>852,800</u>	<u>885,500</u>
Exercisable at December 31	<u>852,800</u>	<u>781,720</u>	<u>611,160</u>	<u>—</u>

All options granted in 1999 under the FairPoint Plan had an exercise price of \$0.50.

See note 2 for a description of options exercised under the 1995 Plan and the cancellation of all options granted under the FairPoint Plan subsequent to December 31, 1999.

In August 1998, the Company adopted the 1998 Plan. The 1998 Plan provides for grants of up to 5,124,400 nonqualified stock options to executives and members of management, at the discretion of the compensation committee of the Board of Directors. Options vest in 25% increments on the second, third, fourth, and fifth anniversaries of an individual grant. In the event of a change in control, outstanding options will vest immediately. In October 1998, the compensation committee of the Board of Directors approved a grant of 4,664,000 options at an exercise price of \$1.71 per share. During 1999, an additional 214,000 options were granted at an exercise price of \$2.74 per share and 70,000 options were forfeited. At December 31, 1999, a total of 4,808,000 options were outstanding. Pursuant to the terms of the grant, options become exercisable only in the event that the Company is sold, an initial public offering of the Company's common stock results in the principal shareholders holding less than 10% of their original

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Notes to Consolidated Financial Statements (Continued)
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(11) Stock Option Plans (Continued)

ownership, or other changes in control, as defined, occur. The number of options that may become ultimately exercisable also depends upon the extent to which the price per share obtained in the sale of the Company would exceed a minimum selling price of \$4.28 per share. All options have a term of ten years from date of grant. The Company will accrue for compensation expense for the excess of the estimated fair value of its common stock over the exercise price of the options when and if a sale of the Company, at the prices necessary to result in exercisable options under the grant, becomes imminent or likely. See note 2 for a description of transactions affecting the 1998 Plan occurring subsequent to December 31, 1999.

(12) Redeemable Preferred Stock

The following is a summary of the Company's preferred stock:

	Series A preferred		Series B preferred		Series C preferred	
	Shares	Amount	Shares	Amount	Shares	Amount
	(Dollars in thousands)					
Balance at December 31, 1996	1,400,000	\$8,738	—	—	3,661,200	1,952
Conversion of preferred stock	(18,000)	(112)	—	—	—	—
Repurchase of preferred stock	<u>(1,382,000)</u>	<u>(8,626)</u>	—	—	<u>(3,400,880)</u>	<u>(1,822)</u>
Balance at December 31, 1997	—	—	—	—	260,320	130
Repurchase of preferred stock	—	—	—	—	<u>(260,320)</u>	<u>(130)</u>
Balance at December 31, 1998	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>

The Series A preferred stock, Series B preferred stock, and Series C preferred stock not owned by management were purchased and retired in connection with the 1997 recapitalization (see also note 10). The Series C preferred stock owned by management was purchased and retired in 1998.

In conjunction with the issuance of the Series C preferred stock in 1996, the Company issued warrants to purchase 233,790 shares of the Company's Class A common stock. In association with the recapitalization, the Company repurchased warrants to purchase 217,210 shares and contingent warrants to purchase 129,600 shares. There were no contingent warrants outstanding at December 31, 1997, 1998, and 1999. The remaining warrants for 16,580 shares were exercised subsequent to December 31, 1999. (See note 2.)

(13) Related Party Transactions

During 1998, certain major shareholders of the Company pledged 1,752,000 shares of the Company's common stock as collateral under various loan agreements. Under the terms of the loan agreements, the Company is required, in the event of default by the shareholders, to repurchase the pledged shares for the lesser of (i) 100% of outstanding indebtedness plus accrued and unpaid interest, or (ii) \$3.0 million. The Company has classified \$3.0 million of equity as temporary equity for the value of common stock issued and subject to put options under these arrangements. See note 2 which describes the Company being released from this put obligation subsequent to December 31, 1999.

During 1997, the Company entered into an agreement with MJD Partners, L.P. (Partners), at the time, a major shareholder of the Company. Under the terms of the agreement, Partners provided senior

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Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(13) Related Party Transactions (Continued)

management and acquisition services to the Company. Partners was paid \$1,020,000 under this agreement and this expense was classified with corporate expenses in 1997. This agreement was terminated on March 31, 1998, at which time \$225,000 had been paid to Partners during 1998.

The Company has entered into financial advisory agreements with certain equity investors, pursuant to which the equity investors provide certain consulting and advisory services related but not limited to equity financings and strategic planning. During 1999, 1998, and 1997, the Company paid \$400,000, \$250,000 and \$45,833, respectively, in such fees to the equity investors and this expense was classified with corporate expenses. The agreements also provide that the Company will reimburse the equity investors for travel relating to the Company's Board of Directors meetings. During 1999 and 1998, the Company reimbursed the equity investors \$49,627 and \$117,204, respectively, for travel and other expenses. The advisory and consulting fees were increased to \$500,000 per annum to be paid to each of the principal shareholders through December 31, 2006 in connection with the issuance and reacquisition of capital stock as described in note 2.

The Company also has entered into a consulting agreement dated as of July 31, 1997 with an entity controlled by a certain shareholder pursuant to which the shareholder has agreed to provide general consulting and advice to the Company as reasonably requested from time to time. Pursuant to the terms of the agreement, the consulting company is paid an annual fee of \$120,000 in monthly installments plus all of the shareholder's out-of-pocket business expenses up to \$30,000. The term of the agreement is one year, subject to automatic renewal for successive periods of one year each thereafter. The Company incurred expenses of \$132,831 and \$103,306 in 1999 and 1998, respectively, related to this consulting agreement. The agreement was paid by MJD Partners during 1997 and through March of 1998. This agreement was terminated on January 20, 2000.

In 1997, a law firm, in which a partner of such law firm is a shareholder of the Company, was paid a total of \$1,070,132, of which \$38,872 was for general counsel services, which are classified with corporate expenses, \$819,361 for services related to financings, which have been recorded as debt issue costs and equity issue costs, and \$211,899 for new acquisitions, which have been capitalized as direct costs of acquisitions of subsidiaries. In 1998, this same law firm was paid \$2,307,900, of which \$289,156 was for general counsel services, which are classified with corporate expenses, \$1,228,902 for services related to financings, which have been recorded as debt issue costs, and \$789,842 for new acquisitions, which have been capitalized as direct costs of acquisitions of subsidiaries. In 1999, this same law firm was paid \$336,835, of which \$295,084 was for general counsel services, which are classified with corporate expenses and \$41,751 for new acquisitions, which have been capitalized as direct costs of acquisitions of subsidiaries.

See note 2 for related party transactions that occurred subsequent to December 31, 1999.

(14) Supplemental Cash Flow Information

For the years ended December 31, 1999, 1998, and 1997, the Company paid interest of \$49,071,977, \$24,111,997 and \$8,301,646, respectively.

For the years ended December 31, 1999, 1998, and 1997, the Company paid income taxes of \$7,519,755, \$3,585,977 and \$529,352, respectively.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 1999, 1998, and 1997

(14) Supplemental Cash Flow Information (Continued)

In conjunction with the recapitalization in 1997, the Company issued subordinated promissory notes for \$3.5 million for the repurchase of the Series A and Series C preferred stock. These subordinated promissory notes were paid during 1998.

(15) Quarterly Financial Information (Unaudited)

	<u>First quarter</u>	<u>Second quarter</u>	<u>Third quarter</u>	<u>Fourth quarter</u>	<u>Total</u>
	(Dollars in thousands)				
1999:					
Revenue	\$32,828	35,496	39,347	39,868	147,539
Earnings (loss) before extraordinary item and minority interest	(1,815)	(2,945)	(3,453)	(20,727)	(28,940)
Net loss	<u>(1,841)</u>	<u>(2,958)</u>	<u>(3,472)</u>	<u>(20,769)</u>	<u>(29,040)</u>
1998:					
Revenue	14,555	23,079	25,642	28,731	92,007
Earnings (loss) before extraordinary item and minority interest	634	(428)	(1,517)	(4,088)	(5,399)
Net loss	<u>(1,912)</u>	<u>(440)</u>	<u>(1,548)</u>	<u>(4,100)</u>	<u>(8,000)</u>

In 1999, the Company recognized interest expense of approximately \$13.3 million attributable to the purchase of STE warrants discussed in note 9, of which approximately \$11.6 million was recognized during the fourth quarter. In 1999, the Company recognized compensation expense of approximately \$3.4 million attributable to stock appreciation rights discussed in note 7, of which approximately \$2.9 million was recognized during the fourth quarter.

During the first quarter of 1998, the Company recognized a loss on the early retirement of debt of approximately \$4.3 million, which reduced net earnings by approximately \$2.5 million.

(16) Disclosures About the Fair Value of Financial Instruments

Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, and Demand Notes Payable

The carrying amount approximates fair value because of the short maturity of these instruments.

Investments

Investments available-for-sale are carried at their fair value which approximates \$7.3 million at December 31, 1999 (see also note 5).

Non-current investments do not have a readily determinable fair value (not publicly traded). On an annual basis, management determines a fair value of its investments based on the financial performance of the investee, the fair value of similar investments, and in certain instances, based on traditional valuation models used by industry analysts. At December 31, 1999, the Company had investments with a carrying value of approximately \$36.2 million and estimated fair value of approximately \$57.8 million.

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
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(16) Disclosures About the Fair Value of Financial Instruments (Continued)

Long-term Debt

The fair value of the Company's long-term debt is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities. At December 31, 1999, the Company had long-term debt with a carrying value of approximately \$462.4 million and estimated fair value of approximately \$447.6 million.

Derivative Financial Instruments

The Company entered into interest rate swaps to manage its exposure to fluctuations in interest rates of its variable rate debt in 1998. The fair value of these swaps was approximately \$1.0 million at December 31, 1999. The fair value indicates an estimated amount the Company would receive if the contracts were cancelled or transferred to other parties.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumption could significantly affect the estimates.

(17) Major Customers

Compensation for interstate access services is based on reimbursement of costs and an allowed rate of return. This compensation is received from the NECA in the form of monthly settlements. Such compensation amounted to 25.4%, 27.3% and 30.0% of revenues in 1999, 1998, and 1997, respectively. The Company also derives significant revenues from Bell Atlantic, principally from network access and billing and collecting service. Such compensation amounted to 10.9%, 10.4% and 16.3% of revenues in 1999, 1998, and 1997, respectively.

(18) Reportable Segments

The Company has two reportable segments: incumbent local exchange carrier (ILEC) operations and competitive local exchange carrier (CLEC) operations. The ILEC operations provide local, long distance and other telecommunications services to customers in rural communities in which competition currently does not exist for local telecommunications services. The CLEC operations provide local and long distance telecommunications services to customers in markets outside of the Company's ILEC markets. The Company began its CLEC operations during 1998, therefore, prior to 1998, the Company's business consisted of one reportable segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on EBITDA. The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

The Company's reportable segments are strategic business units that offer similar telecommunications related products and services in different markets. They are managed separately because each segment

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Notes to Consolidated Financial Statements (Continued)
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(18) Reportable Segments (Continued)

requires different marketing and operational strategies related to the providing of local and long distance telecommunications services.

The Company utilizes the following information for purposes of making decisions about allocating resources to a segment and assessing a segment's performance:

	<u>ILEC Operations</u>	<u>CLEC Operations</u>	<u>Total</u>
Year ended December 31, 1999:			
Revenues from external customers	\$135,890	11,649	147,539
Intersegment revenues	—	2,633	2,633
Interest expense	50,463	722	51,185
Depreciation and amortization	30,876	756	31,632
Income tax (expense) benefit	(2,337)	7,952	5,615
EBITDA	68,049	(19,887)	48,162
Segment assets	485,574	31,297	516,871
Expenditures for segment assets	28,293	15,216	43,509
	<u>ILEC Operations</u>	<u>CLEC Operations</u>	<u>Total</u>
Year ended December 31, 1998:			
Revenues from external customers	\$ 88,946	3,061	92,007
Intersegment revenues	—	516	516
Interest expense	27,170	—	27,170
Depreciation and amortization	20,034	55	20,089
Income tax benefit	267	1,845	2,112
Extraordinary items—loss on early retirement of debt	2,521	—	2,521
EBITDA	42,099	(4,952)	37,147
Segment assets	436,838	5,576	442,414
Expenditures for segment assets	10,912	1,521	12,433

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Notes to Consolidated Financial Statements (Continued)
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(18) Reportable Segments (Continued)

A reconciliation of reportable segment amounts to the Company's consolidated balances for the years ended December 31, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Revenues:		
Total revenue for reportable segments	\$150,172	92,523
Elimination of intersegment revenue	(2,633)	(516)
Total consolidated revenue	<u>\$147,539</u>	<u>92,007</u>
EBITDA to net loss:		
EBITDA	\$ 48,162	37,147
Other components of EBITDA:		
Depreciation and amortization	(31,632)	(20,089)
Interest expense	(51,185)	(27,170)
Income tax expense	5,615	2,112
Net loss	<u>\$(29,040)</u>	<u>(8,000)</u>
Assets:		
Total assets for reportable segments	\$516,871	442,414
Consolidating and eliminating adjustments	(616)	(302)
Consolidated total	<u>\$516,255</u>	<u>442,112</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of the Company are listed below. Executive officers are generally elected annually by the Board of Directors to serve, subject to the discretion of the Board of Directors, until their successors are appointed. There are currently seven members of the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Daniel G. Bergstein	56	Co-Founder, Director
Jack H. Thomas	58	Co-Founder, Chairman of the Board of Directors, President and Chief Executive Officer
Eugene B. Johnson	52	Co-Founder, Vice Chairman of the Board of Directors, Executive Vice President, Assistant Secretary
Walter E. Leach, Jr.	48	Senior Vice President, Chief Financial Officer and Secretary
John P. Duda	52	President and Chief Executive Officer—Telecom Group
G. Brady Buckley	40	President and Chief Executive Officer of FairPoint Communications Corp.
Timothy W. Henry	44	Vice President of Finance, Treasurer and Assistant Secretary
George Matelich	43	Director
Frank K. Bynum, Jr.	37	Director
Anthony DiNovi	37	Director
Kent R. Weldon	32	Director

Daniel G. Bergstein. Mr. Bergstein is a founder and has been a Director of the Company since 1991. Mr. Bergstein served as Chairman of the Board of Directors of the Company from 1991 until August 1998. Since 1988, Mr. Bergstein has been a senior partner in the New York office of the international law firm Paul, Hastings, Janofsky & Walker LLP, where he is the Chairman of the Firm's National Telecommunications Practice. Mr. Bergstein is a corporate and securities lawyer, specializing in mergers and acquisitions and corporate finance transactions.

Jack H. Thomas. Mr. Thomas is a founder and has been a Director of the Company since 1991. He has acted as President and Chief Executive Officer since 1993. Mr. Thomas has served as Chairman of the Board of Directors of the Company since August 1998. From 1985 to 1993, Mr. Thomas was Chief Operating Officer of C-TEC Corporation, a diversified telecommunications concern which at the time owned Commonwealth Telephone Company, a 240,000 access line LEC. From 1982 to 1985, Mr. Thomas served as Vice President, Operations of United Telephone Company of Ohio and was a member of its

board of directors. Prior to his service with United Telephone Company of Ohio, Mr. Thomas worked for nearly twenty years at C&P Telephone (now a Bell System company) in various positions including division manager during the 1976-1982 period.

Eugene B. Johnson. Mr. Johnson is a founder and has been a Director of the Company since 1991. Mr. Johnson served as Senior Vice President of the Company from 1993 to 1998 and has served as Executive Vice President since February 1998. Mr. Johnson has served as Vice Chairman of the Company since August 1998. From 1987 to 1993, Mr. Johnson served as President and principal shareholder of JC&A, Inc., an investment banking and brokerage firm providing services to the cable television, telephone and related industries. From 1985 to 1987, Mr. Johnson served as the director of the mergers and acquisitions department of Cable Investments, Inc., an investment banking firm. From 1980 to 1985, Mr. Johnson served as President of a cable television construction and engineering company. Mr. Johnson currently is a director of OPASTCO, the primary industry organization for small independent telephone companies and serves on its membership, education and finance committees.

Walter E. Leach, Jr. Mr. Leach has served as Chief Financial Officer and Secretary of the Company since October 1994 and Senior Vice President since February of 1998. From 1984 through September 1994, Mr. Leach served as Executive Vice President of Independent Hydro Developers, where he had responsibility for all project acquisition, financing and development activities. From 1980 to 1984, Mr. Leach served as Vice President, Investor Relations for the Pillsbury Company and served as Treasurer, Assistant Treasurer and Controller for Burger King Corporation. Mr. Leach's career also includes various finance-related positions at Sambo's Restaurants, Inc. and First Union National Bank where he was the Manager of their New York City office.

John P. Duda. Mr. Duda has served as Chief Operating Officer of the Company since January 1994 and President and Chief Executive Officer of the Company's Telecom Group since August 1998. From 1993 to 1994, Mr. Duda served as Vice President, Operations and Engineering of Rochester Tel Mobile Communications. From 1985 to 1993, Mr. Duda served as State Vice President—Minnesota, Nebraska and Wyoming and Director of Network Planning and Operations for Pennsylvania and New Jersey for Sprint and from 1970 to 1985 he served in various management positions with C&P Telephone and Bell Atlantic including District Manager—Planning and New Technology for Bell Atlantic Corporation. Mr. Duda is currently on the United States Telephone Association's Board of Directors and serves on its Executive, Regulatory Policy and Midsize Company committees. He also serves on OPASTCO's Separations and Access Committee.

G. Brady Buckley. Mr. Buckley has served as President and Chief Executive Officer of FairPoint Communications Corp. since July 1998. From 1996 to 1998, Mr. Buckley served as President of American Telco, Inc., a Houston, Texas based telecommunications firm that was the first company to provide combined local and long distance phone service in Texas. From 1992 to 1996, Mr. Buckley was Vice President of Worldcom and responsible for all New England operations including sales, marketing, finance, operations, and administration. From 1988 to 1992, Mr. Buckley was Vice President of First Phone of New England, a start-up company that provided long distance telecommunications service to business firms in the Northeast. From 1982 to 1987, Mr. Buckley served in several sales and management positions at Sprint.

Timothy W. Henry. Mr. Henry has served as Vice President of Finance and Treasurer of the Company since December 1997. From 1992 to December 1997, Mr. Henry served as Vice President/Portfolio Manager at CoBank, ACB, and managed a \$225 million telecommunications loan portfolio, which included responsibility for CoBank's relationship with the Company.

George E. Matelich. Mr. Matelich has served as a Director of the Company since July 1997. Mr. Matelich is currently a Managing Director of Kelso, with which he has been associated since 1985.

Mr. Matelich serves on the Boards of Directors of GlobeNet Communications Group Limited and Humphreys, Inc. Mr. Matelich is also a Trustee of the University of Puget Sound.

Frank K. Bynum, Jr. Mr. Bynum has served as a Director of the Company since May 1998. He is also a Managing Director of Kelso. Mr. Bynum is a director of CDT Holdings, plc, Citation Corporation, Cygnus Publishing, Inc., Hillside Broadcasting of NC, HCI Direct, Inc., iXL Enterprises, Inc. and 21st Century Newspapers, Inc. Mr. Bynum received a B.A. in History from the University of Virginia.

Anthony DiNovi. Mr. DiNovi has served as a Director of the Company since January 2000. He has served as a Managing Director of Thomas H. Lee Partners, L.P. since 1988. Prior to joining Thomas H. Lee Partners, L.P., Mr. DiNovi was in the Corporate Finance Department at Wertheim Schroder & Co., Inc. Mr. DiNovi is a director of Big Flower Holdings, Inc., CelPage, Inc., Columbine JDS Systems, Inc., Eye Care Centers of America Inc., Fisher Scientific International, Inc., LiveWire Systems, LLC, ProcureNet, Inc., Safelite Glass Corp. and Tibbar, LLC. Mr. DiNovi received an A.B. in Social Studies from Harvard College and a M.B.A. from the Harvard Graduate School of Business Administration.

Kent R. Weldon. Mr. Weldon has served as a Director of the Company since January 2000. He is a Vice President of Thomas H. Lee Partners, L.P. Mr. Weldon worked at the firm from 1991 to 1993 and rejoined it in 1995. From 1989 to 1991, Mr. Weldon worked at Morgan Stanley & Co. Incorporated in the Corporate Finance Department. Mr. Weldon is a director of Fisher Scientific International, Inc., and Syratech Corporation. Mr. Weldon received a B.A. in Economics and Arts and Letters Program for Administration from the University of Notre Dame and an M.B.A. from the Harvard Graduate School of Business Administration.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation paid or accrued for services rendered to the Company or its subsidiaries in all capacities, for the year ended December 31, 1999, by the Chief Executive Officer and each of the other four most highly-compensated officers of the Company employed as of December 31, 1999 (the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-term Compensation Awards(1)	All other Compensation
		Salary	Bonus	Other Annual Compensation	Number of Securities Underlying Options/SARS	
Jack H. Thomas Chief Executive Officer and President	1999	\$330,000	\$180,000	\$ 96,470	—	—
	1998	309,000	150,000	86,851	1,300,000	—
	1997	300,000	82,500	69,128	—	—
Eugene B. Johnson Executive Vice President and Assistant Secretary	1999	\$264,000	\$132,000	\$ 76,354	—	—
	1998	240,000	120,000	52,525	1,195,000	—
	1997	240,000	62,000	29,535	—	—
John P. Duda President and Chief Executive Officer—Telecom Group	1999	\$150,000	\$ 75,000	\$ 61,265	—	—
	1998	140,000	49,000	41,775	410,000	—
	1997	131,000	31,000	24,018	—	—
Walter E. Leach, Jr. Senior Vice President, Chief Financial Officer and Secretary	1999	\$150,000	\$ 80,000	\$ 40,806	—	—
	1998	130,000	62,942	34,255	650,000	—
	1997	108,000	32,400	15,598	—	—
G. Brady Buckley CEO and President— FairPoint Communications, Inc	1999	\$267,500	\$240,000	\$108,055	300,000(3)	—
	1998(2)	125,000	90,000	0	—	—
	1997	—	—	—	—	—

(1) Share numbers are pro forma for the Stock Split.

(2) Represents six months of compensation.

(3) Represents options to purchase common stock of FairPoint under the FairPoint Plan. These will be converted to options to purchase Class A Common Stock of MJD in April of 2000.

Stock Option Plan

The Company's Stock Option Plan (the "Plan") was adopted on February 22, 1995. The Plan provides for the grant of options to purchase up to an aggregate of 1,136,800 shares of the Class A Common Stock. The Plan is administered by the Board of Directors, which makes discretionary grants of options to officers or directors and employees of the Company.

Options granted under the Plan may be incentive stock options, which qualify for favorable Federal income tax treatment under Section 422A of the Internal Revenue Code of 1986, or Nonstatutory Stock Options.

The selection of participants, allotment of shares, determination of price and other conditions of purchase of such options is determined by the Board, in its sole discretion. Each option grant is evidenced by a written incentive stock option agreement or nonstatutory stock option agreement dated as of the date of grant and executed by the Company and the optionee. Such agreement also sets forth the number of options granted, the option price, the option term and such other terms and conditions as may be determined by the Board of Directors. As of December 31, 1999, the Board of Directors had granted

) options to purchase at \$0.25 per share a total of 852,800 shares of the Class A Common Stock to officers, directors and employees.

Options granted under the Plan are nontransferable, other than by will or by the laws of descent and distribution.

In connection with the Equity Financing, a total of 260,340 options were exercised and the underlying shares were sold.

1998 Stock Incentive Plan

In August 1998, the Company adopted the MJD Communications, Inc. Stock Incentive Plan (the "1998 Plan"). The 1998 Plan provides for grants to members of management of up to 5,124,400 nonqualified options to purchase Class A Common Stock, at the discretion of the compensation committee of the Board of Directors. Options vest in 25% increments on the second, third, fourth, and fifth anniversaries of an individual grant. In the event of a change in control, outstanding options will vest immediately. In October 1998, the compensation committee of the Board of Directors approved a grant of 4,664,000 options at an exercise price of \$1.71 per share after giving pro forma effect to the Stock Split. During 1999, an additional 214,000 options were granted at an exercise price of \$2.74 per share and 70,000 options were forfeited. At December 31, 1999, a total of 4,808,000 options were outstanding after giving pro forma effect to the Stock Split. Pursuant to the terms of the grant, options become exercisable only in the event that the Company is sold, an initial public offering of the Company's common stock occurs, or other changes in control, as defined, occur. The number of options that may ultimately become exercisable also depends upon the extent to which the price per share obtained in the sale of the Company would exceed a minimum selling price of \$4.28 per share. Options have a term of ten years from date of grant. The Company will accrue as a compensation expense the excess of the estimated fair value of its common stock over the exercise price of the options when and if a sale of the Company, at the prices necessary to result in exercisable options under the grant, becomes imminent or likely.

) In connection with the Equity Financing, 40,600 options were exercised and the underlying shares were sold.

In December 1998, FairPoint adopted the FairPoint Communications Corp. Stock Incentive Plan (the "FairPoint Plan") for its employees. Under the FairPoint Plan, participating employees may be granted options to purchase common stock of FairPoint at exercise prices not less than the fair value of FairPoint common stock at the date of the grant. The FairPoint Plan authorizes grants of options to purchase up to 1,000,000 shares of authorized, but unissued common stock. Options vest in 25% increments on the second, third, fourth, and fifth anniversaries of an individual grant. In the event of a change in control, outstanding options will vest immediately. Shares issued to employees under the FairPoint Plan are subject to a call option by FairPoint. Under the call option, FairPoint may repurchase those shares held by terminating employees at fair value if the shares were held by the employee for a minimum holding period of not less than six months. The FairPoint Plan also provides for the reacquisition of common shares by FairPoint in the event of death or disability of the option-holder. During 1999, the compensation committee approved grants of 970,500 options. Of these grants, 85,000 options were forfeited. No options were granted under the FairPoint Plan during fiscal year 1998. All options granted in 1999 under the FairPoint Plan had an exercise price of \$0.50.

) In February 2000, the Board approved a conversion of all of the FairPoint options to MJD options. The conversion, which is expected to be completed in April, 2000, will result in 885,500 options to purchase common stock of FairPoint being converted into an aggregate of 1,618,820 options to purchase Class A Common Stock with an exercise price of \$3.28 per share. Upon completion of the conversion, the FairPoint Plan will be terminated.

Warrants

Certain members of management were issued warrants to purchase Class A Common Stock in connection with their purchases of shares of Series C Preferred Stock of the Company in 1996. The Company has since redeemed all of the outstanding Series C Preferred Stock. The warrants were exercisable into 16,580 shares of Common Stock at an exercise price of \$0.01 per share. On January 20, 2000, the warrants were exercised and the underlying shares were sold in connection with the Equity Financing.

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values

The following table sets forth the information with respect to the Named Executive Officers concerning the exercise of options during fiscal year 1999, the number of securities underlying options at the 1999 year end and the year end value of all unexercised in-the-money options held by such individuals (after giving pro forma effect to the Stock Split).

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs At Fiscal Year-End (#) Exercisable/Unexercisable	Value of Unexercised In-The-Money Options/SARs at Fiscal Year-End (\$) Exercisable/Unexercisable(1)
Jack H. Thomas	—	—	1,586,260/1,300,000	\$18,508,879/14,825,200
Eugene B. Johnson	—	—	1,412,320/1,195,000	16,424,958/13,627,780
Walter E. Leach, Jr.	—	—	795,160/650,000	10,971,431/7,412,600
John P. Duda	—	—	626,500/410,000	9,157,452/4,675,640
G. Brady Buckley	—	—	300,000/300,000(2)	7,194,000/7,194,000

(1) Represents the difference between the exercise price and the fair market value of the Company's Class A Common Stock at December 31, 1999.

(2) Represents options to purchase common stock of FairPoint under the FairPoint Plan. These will be converted to options to purchase Class A Common Stock of MJD in April of 2000.

In connection with the Equity Financing, 12,440 warrants and 300,940 options to purchase Class A Common Stock were exercised and the underlying shares were sold for aggregate proceeds of \$3,975,836. In connection with this transaction, the Board approved the acceleration of the vesting and exercise of 40,600 options owned by Mr. Leach. In addition, Mr. Leach and Mr. Duda also received an aggregate of \$1,165,000 from certain stockholders of the Company in satisfaction of a portion of such stockholders' stock appreciation rights obligations to Messrs. Duda and Leach.

Employment Agreements

In January 2000, the Company entered into employment agreements (the "Employment Agreements") with each of John P. Duda, Jack H. Thomas, Eugene B. Johnson and Walter E. Leach, Jr. (each an "Executive" and, collectively, the "Executives"). Each of the Employment Agreements provides for an employment period from January 20, 2000 until December 31, 2003 and provides that upon the termination of the Executive's employment due to a Change of Control (as defined below), the Executive is entitled to receive from the Company in a lump sum payment an amount equal to such Executive's base salary as of the date of termination for a period ranging from twelve months to twenty-four months. For purposes of the previous sentence, a "Change of Control" shall be deemed to have occurred if: (a) certain stockholders of the Company no longer own, either directly or indirectly, shares of capital stock of the Company entitling them to 51% in the aggregate of the voting power for the election of the directors of the Company, as a result of a merger or consolidation of the Company, a transfer of capital stock of the

Company or otherwise, or (b) the Company sells, assigns, conveys, transfers, leases or otherwise disposes of, in one transaction or a series of related transactions, all or substantially all of its property or assets to any other person or entity. In addition, the Company has agreed to maintain the Executives' long term disability and medical benefits for a similar period. In the event that any Executive's employment with the Company is terminated without cause and not as a result of a Change of Control, such Executive is entitled to receive a lump sum payment from the Company in an amount equal to such Executive's base salary for a period ranging from six months to twelve months and is also entitled to long term disability and medical benefits for a similar period. In the event that any Executive's employment is terminated for cause or by Executive without good reason, such Executive is not entitled to any benefits pursuant to the Employment Agreements.

ITEM 12. SECURITY OWNERSHIP AND BENEFICIAL MANAGEMENT

The following table sets forth information regarding beneficial ownership of the Company's Class A Common Stock as of March 15, 2000 for (i) each of the Named Executive Officers and each director of the Company, (ii) all officers and directors of the Company as a group, and (iii) each stockholder of the Company who beneficially owns 5% or more of the Company's Class A Common Stock.

	Number of Shares Beneficially Owned (1)	Percent of Outstanding Shares (1)
Executive Officers and Directors:		
Daniel G. Bergstein (2)	2,155,140	18.7%
Jack H. Thomas (3)	1,757,600	14.9%
Eugene B. Johnson (4)	640,380	5.5%
John P. Duda (5)	95,060	0.8%
G. Brady Buckley	7,640	0.1%
Walter E. Leach, Jr. (6)	0.0	0.0%
George E. Matelich (7)	5,655,768	49.1%
Frank K. Bynum, Jr. (7)	5,655,768	49.1%
Anthony DiNovi (1)	0.0	0.0%
Kent R. Weldon (1)	0.0	0.0%
All Executive Officers and Directors as a group (10 stockholders)	10,311,588	58.0%
5% Stockholders:		
Kelso Investment Associates V, L.P. and Kelso Equity Partners V, L.P. (1)(7)	5,655,768	49.1%
320 Park Avenue, 24 th Floor New York, New York 10022		

(1) Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned by them, subject to community property laws where applicable. The percentage of beneficial ownership is based on 11,523,308 shares of Class A Common Stock outstanding as of February 29, 2000

As of February 29, 2000, THL owned 21,461,720 shares of Series D Preferred Stock and Kelso Investment Associates V, L.P. ("KIAV") and Kelso Equity Partners V, L.P. ("KEPV") owned 11,289,356 and 1,254,372 shares of Class B Common Stock, respectively. Each share of Series D Preferred Stock and each share of Class B Common Stock will be automatically converted into one share of Class A Common Stock upon the receipt of all required regulatory approvals. The Company does not expect to receive all such regulatory approvals within the next 60 days.

(2) Includes 2,155,140 shares owned by JED Communications Associates, Inc., a corporation owned 100% by Mr. Bergstein and his immediate family.

- (3) Includes 284,200 shares of Class A Common Stock issuable upon exercise of options that are either currently exercisable or exercisable during the next 60 days. Does not include 1,300,000 shares of Class A Common Stock issuable upon exercise of options that are not currently exercisable or exercisable during the next 60 days.
- (4) Includes 213,200 shares of Class A Common Stock issuable upon exercise of options that are either currently exercisable or exercisable during the next 60 days. Does not include 1,195,000 shares of Class A Common Stock issuable upon exercise of options that are not currently exercisable or exercisable during the next 60 days.
- (5) Includes 95,060 shares of Class A Common Stock issuable upon exercise of options that are either currently exercisable or exercisable during the next 60 days. Does not include 410,000 shares of Class A Common Stock issuable upon exercise of options that are not exercisable during the next 60 days.
- (6) Does not include 609,400 shares of Class A Common Stock issuable upon exercise of options that are not currently exercisable or exercisable during the next 60 days.
- (7) Includes 5,138,370 shares of Class A Common Stock owned by KIAV and 517,398 Class A shares of Common Stock owned by KEPV. KIAV and KEPV, due to their common control, could be deemed to beneficially own each other's shares, but each disclaims such beneficial ownership. Joseph S. Schuchert, Frank T. Nickell, Thomas R. Wall, IV, George E. Matelich, Michael B. Goldberg, David I. Wahrhaftig, Frank K. Bynum, Jr. and Philip E. Bewey may be deemed to share beneficial ownership of shares of Class A Common Stock owned of record by KIAV and KEPV, by virtue of their status as general partners of the general partner of KIAV and as general partners of KEPV. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Bewey share investment and voting power with respect to securities owned by KIAV and KEPV, but disclaim beneficial ownership of such securities. The business address for each such person and KIAV and KEPV is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, New York 10022.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Financial Advisory Agreements

In connection with the Equity Financing, the Company entered into a Management Services Agreement with THL Equity Advisors IV, LLC, ("THL Advisors") dated as of January 20, 2000 and an Amended and Restated Financial Advisory Agreement dated as of January 20, 2000 with Kelso, pursuant to which THL Advisors and Kelso provide certain consulting and advisory services related, but not limited to, equity financings and strategic planning. Pursuant to these agreements, the Company pays to each of THL Advisors and Kelso annual advisory fees of \$500,000 payable on a quarterly basis until December 31, 2006. In connection with the Equity Financing, the Company terminated its financial advisory agreement with Carousel and the original financial advisory agreement with Kelso. The Company paid advisory fees to Carousel and Kelso of \$200,000 and \$200,000 each in 1999.

Consulting Agreement

On January 20, 2000, the Company terminated a consulting agreement dated as of July 31, 1997 by and between the Company and an entity controlled by Daniel G. Bergstein pursuant to which Mr. Bergstein agreed to provide general consulting and advice to the Company as reasonably requested from time to time. During 1999, the Company paid consulting fees under the consulting agreement of \$132,831.

Legal Services

Daniel G. Bergstein, a senior partner of Paul, Hastings, Janofsky & Walker LLP ("Paul Hastings"), is a Director of the Company and a significant stockholder. Paul Hastings regularly provides legal services to the Company. For the year ended December 31, 1999, Paul Hastings was paid approximately \$336,835 by the Company for legal services.

Stockholders Agreement and Registration Rights Agreement

In connection with the Equity Financing, the Company and its stockholders entered into a Stockholders Agreement dated as of January 4, 2000 (the "Stockholders Agreement") which contains certain provisions, including but not limited to: (i) the designation of members to the Board of Directors of the Company (including, initially, two members to be designated by THL, two members by Kelso and upon the receipt of all required regulatory approvals, the remaining members to be designated jointly by THL and Kelso), (ii) certain restrictions on transfers of shares by the stockholders of the Company, (iii) the requirement that stockholders take certain actions upon the approval by a majority of the stockholders in connection with an initial public offering or a sale of the Company, (iv) the requirement of the Company to sell shares to the stockholders under certain circumstances upon authorization of an issuance or sale of additional shares, (v) certain of the participation rights of certain stockholders in connection with a sale of shares by other stockholders, and (vi) the right of the Company to purchase all (but not less than all) of the shares of a stockholder in the event of resignation or termination of employment or death or disability. The Stockholders Agreement also provides that the Company must obtain consent from THL and Kelso in order for the Company to incur debt in excess of \$5 million.

The Company and its stockholders entered into a Registration Rights Agreement dated as of January 20, 2000 (the "Registration Rights Agreement") pursuant to which the stockholders have the right in certain circumstances and, subject to certain conditions, to require the Company to register shares of Class A Common Stock held by them under the Securities Act. Under the Registration Rights Agreement, except in limited circumstances, the Company is obligated to pay all expenses in connection with such registration.

In connection with the execution of the Stockholders' Agreement and the Registration Rights Agreement, the Company terminated its previous Stockholders' Agreement and Registration Rights Agreement, each dated July 31, 1997.

Purchase of Class A Common Stock by Management

In January 2000, 100,160 shares of the Company's Class A Common Stock were purchased by certain members of management for \$1,313,749 as follows:

<u>Name of management personnel</u>	<u>Per Share Price(a)</u>	<u>Number of Shares (b)</u>	<u>Aggregate Purchase Price</u>
Richard Blumhagen 1	\$13.1165	800	\$ 10,493.20
Brady Buckley 2	\$13.1165	7,640	\$100,210.06
Ryan Cure 3	\$13.1165	1,600	\$ 20,986.40
Whit Edwards 4	\$13.1165	8,000	\$104,932.00
Patrick Eudy 5	\$13.1165	5,700	\$ 74,764.05
Dan Fine 6	\$13.1165	1,600	\$ 20,986.40
Leon Frazier 7	\$13.1165	1,100	\$ 14,428.15
Ross Fritz 8	\$13.1165	800	\$ 10,493.20
Robert Gniadek 9	\$13.1165	800	\$ 10,493.20
Mike Harrington 10	\$13.1165	800	\$ 10,493.20
Timothy Henry 11	\$13.1165	800	\$ 10,493.20
Lisa Hood 12	\$13.1165	1,500	\$ 19,674.75
Tom Iachetta 13	\$13.1165	800	\$ 10,493.20
Steve Lagasee 14	\$13.1165	800	\$ 10,493.20
Jack Morfield 15	\$13.1165	2,000	\$ 26,233.00
Patrick L. Morse 16	\$13.1165	2,000	\$ 26,233.00
Peter Nixon 17	\$13.1165	3,200	\$ 41,972.80
Jeff Touse 18	\$13.1165	2,000	\$ 26,233.00
Dana Twombly 19	\$13.1165	22,000	\$288,563.00
Dan Yamin 20	\$13.1165	800	\$ 10,493.20
Daren Yamin 21	\$13.1165	800	\$ 10,493.20
Neil Torpey 22	\$13.1165	34,620	\$454,093.23

(a) The price per share has been adjusted on a pro forma basis to reflect the Stock Split.

(b) The number of shares have been adjusted on a pro forma basis to reflect the Stock Split.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

MJD COMMUNICATIONS, INC.

**Independent Auditors' Report and
Schedule**

**Form 10-K Securities and Exchange Commission
December 31, 1999, 1998, and 1997
(With Independent Auditors' Report Thereon)**

Independent Auditors' Report

The Board of Directors
MJD Communications, Inc.:

Under the date of March 1, 2000, we reported on the consolidated balance sheets of MJD Communications, Inc. and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity (deficit), comprehensive loss and cash flows for each of the years in the three-year period ended December 31, 1999. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule II. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement schedule based on our audits.

In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

March 1, 2000
Lincoln, Nebraska

MJD COMMUNICATIONS, INC. AND SUBSIDIARIES
Valuation and Qualifying Accounts
Years ended December 31, 1999, 1998, and 1997

<u>Description</u>	<u>Balance at beginning of year</u>	<u>Additions due to acquisitions</u>	<u>Additions charged to costs and expenses</u>	<u>Deductions from allowance (note)</u>	<u>Balance at end of year</u>
	(Dollars in thousands)				
Year ended December 31, 1999, allowance deducted from asset accounts, allowance for doubtful receivables	\$704	70	634	487	921
Year ended December 31, 1998, allowance deducted from asset accounts, allowance for doubtful receivables	\$ 49	621	390	356	704
Year ended December 31, 1997, allowance deducted from asset accounts, allowance for doubtful receivables	\$ 58	—	—	9	49

Note: Customers' accounts written-off, net of recoveries.

See accompanying independent auditors' report.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ FRANK K. BYNUM, JR.</u> Frank K. Bynum, Jr.	Director	March 30, 2000
<u>/s/ WALTER E. LEACH JR.</u> Walter E. Leach Jr.	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	March 30, 2000
<u>/s/ LISA R. HOOD</u> Lisa R. Hood	Controller (Principal Accounting Officer)	March 30, 2000

Exhibit Index

Exhibit Number	Description	Page No.
2.1	Stock Purchase Agreement, dated March 6, 1997 among the Company, MJD Partners, L.P. Carousel Capital Partners, L.P., Kelso Investment Associates V, L.P. and Kelso Equity Partners, V, L.P., as amended*	
2.2	Stock Purchase Agreement dated as of March 28, 1996 among MJD Services Corp., Rick A. Moore, Tom D. Moore, Penta-Gen Investments, Inc., and Odin Telephone Exchange, Inc.*	
2.3	Agreement and Plan of Merger dated as of March 27, 1998 by and among MJD Ventures, Inc., Utilities Acquisition Corp. and Utilities, Inc.*	
2.4	Agreement and Plan of Merger dated as of August 6, 1996 among MJD Holdings Corp., C&E Acquisitions Corp. and Chautauqua and Erie Telephone Corporation*	
2.5	Stock Purchase Agreement dated as of September 24, 1996 among MJD Holdings Corp., Kadoka Telephone Co., Bruce G. Conlee and Virginia L. Conlee*	
2.6	Stock Purchase Agreement dated as of June 24, 1997 among MJD Ventures, Inc., Gary Porter, Virginia M. Porter, Renee Porter, C-R Communications, Inc., C-R Telephone Company and certain stockholders*	
2.7	Agreement and Plan of Merger dated as of September 2, 1997 among MJD Holdings Corp., Taconic Acquisition Corp. and Taconic Telephone Corp.*	
2.8	Agreement and Plan of Merger, dated December 31, 1998 among MJD Ventures, Inc., Ellensburg Acquisition Corp. and Ellensburg Telephone Company*	
2.9	Agreement and Plan of Merger dated as of March 12, 1998 among MJD Communications, Inc., Chouteau Acquisitions Corp., Chouteau Telephone Company and certain shareholders of Chouteau Telephone Company*	
2.10	Stock Purchase Agreement dated as of October 16, 1998 among MJD Services Corp., Carla J. Brownlee and Ravenswood Communications, Inc.	
2.11	Stock Purchase Agreement dated as of December 24, 1998 by and among MJD Services Corp., Armour Independent Telephone Co., Bridgewater-Canistota Independent Telephone Co. and the other parties thereto	
2.12	Stock Purchase Agreement dated as of December 24, 1998 by and among MJD Services Corp., Union Telephone Company of Hartford, Union TelNET, KM Satellite, Inc. and the other parties thereto	
2.13	Stock Purchase Agreement dated as of December 24, 1998 by and among MJD Services Corp., WMW Cable TV Co. and the other parties thereto	
2.14	Stock Purchase Agreement dated as of January 12, 1999 by and among MJD Services Corp., Cambridge Telephone Company and Yates City Telephone Company	
2.15	Stock Purchase Agreement dated as of February 16, 1999 by and among MJD Ventures, Inc., Columbus Grove Telephone Company and the other parties thereto	
2.16	Stock Purchase Agreement dated as of June 17, 1999 by and among MJD Ventures, Inc., the Orwell Telephone Company and the other parties thereto	
2.17	Stock Purchase Agreement dated as of December 10, 1999 by and among MJD Ventures, Inc., Peoples Mutual Telephone Company and the other parties thereto	

Exhibit Number	Description	Page No.
2.18	Stock Purchase Agreement dated as of December 23, 1999 by and among MJD Ventures, Inc., TPG Communications, Inc., TPG Partners, L.P., TPG Parallel I, L.P., J. Milton Lewis and Robert DiPauli	
3.1	Fifth Amended and Restated Certificate of Incorporation of the Company	
3.2	Amended and Restated By-Laws of the Company*	
3.3	Certificate of Designation of Series D Preferred Stock of the Company	
4.1	Indenture, dated as of May 5, 1998, between the Company and United States Trust Company of New York, as trustee, relating to the Company's \$125,000,000 9½% Senior Subordinated Notes due 2008 and \$75,000,000 Floating Rate Callable Securities due 2008*	
4.2	Form of Initial Fixed Rate Security*	
4.3	Form of Initial Floating Rate Security*	
4.4	Form of Exchange Fixed Rate Security*	
4.5	Form of Exchange Floating Rate Security*	
4.6	Form of Purchase Agreement dated as of April 30, 1998 between the Company and the Initial Purchasers named therein*	
4.7	Registration Agreement dated as of April 30, 1998 between the Company and the Initial Purchasers named therein*	
10.1	Credit Agreement dated as of March 30, 1998 among the Company, various lending institutions, NationsBanc of Texas, N.A. and Bankers Trust Company	
10.2	Form of B Term Note*	
10.3	Form of C Term Note—Floating Rate*	
10.4	Form of C Term Note—Fixed Rate*	
10.5	Form of RF Note*	
10.6	Form of AF Note*	
10.7	Subsidiary Guarantee dated as of March 30, 1998 by MJD Holdings Corp., MJD Ventures, Inc., MJD Services Corp., ST Enterprises, Ltd. for the benefit of Bankers Trust Company*	
10.8	Pledge Agreement dated as of March 30, 1998 among MJD Communications, Inc., ST Enterprises, Ltd., MJD Holdings Corp., MJD Services Corp., MJD Ventures, Inc., C-R Communications, Inc., as pledgors, and Bankers Trust Company, as collateral agent and pledgee*	
10.9	Capital Contribution Agreement, dated as of March 27, 1998 among Kelso Investment Associates V, L.P., Kelso Equity Partners V, L.P., Carousel Capital Partners, L.P., MJD Communications, Inc. and Bankers Trust Company*	
10.10	Stockholder's Agreement, dated as of July 31, 1997 among Kelso Investment Associates V, L.P., Kelso Equity Partners V, L.P., Carousel Capital Partners V, L.P., the Company and MJD Partners, L.P.*	
10.11	Registration Rights Agreement, dated as of July 31, 1997 among Kelso Investment Associates V, L.P., Kelso Equity Partners, L.P., the Company and MJD Partners, L.P.* ..	

Exhibit Number	Description	Page No.
10.12	Financial Advisory Agreements, dated as of July 31, 1997 among the Company, MJD Holdings Corp. and affiliates of each of Kelso Investment Associates V, L.P., Kelso Equity Partners, L.P. and Carousel Capital Partners, L.P.*	
10.13	Share Exchange Agreement, dated as of July 31, 1997 between the Company and MJD Partners, L.P.*	
10.14	Contribution Agreement, dated as of July 31, 1997 between Meyer Haberman, Jack H. Thomas, Eugene B. Johnson and Bugger Associates, Inc. and MJD Partners, L.P.*	
10.15	Contribution Agreement, dated as of July 31, 1997 between MJD Partners, L.P. and the Company*	
10.16	Amended and Restated Class A Voting Common Stock Purchase Warrants of the Company*	
10.17	Consulting Agreement, dated as of July 31, 1997 between MJD Partners, Inc. and Bugger Associates, Inc.*	
10.18	Severance Agreement, dated as of July 31, 1997 between ST Enterprises, LTD and John P. Duda*	
10.19	Severance Agreement, dated as of July 31, 1997 among the Company, MJD Partners, Inc. and Eugene B. Johnson*	
10.20	Severance Agreement, dated as of July 31, 1997 between the Company and Walter E. Leach, Jr.*	
10.21	Severance Agreement, dated as of July 31, 1997 among the Company, MJD Partners, Inc. and Jack H. Thomas*	
10.22	Amendment to Credit Agreement dated as of July 30, 1998, among the Company, various lending institutions, NationsBanc of Texas, N.A. and Bankers Trust Company*	
10.23	Form of Purchase Agreement and Subordination Agreement between Bankers Trust Company and the Company*	
10.24	Stock Purchase Agreement dated as of January 4, 2000 by and among the Company, Thomas H. Lee Equity IV, L.P., Kelso Investment Associates V, Kelso Equity Partners V, L.P., Carousel Capital Partners, L.P. and the other parties thereto.*	
10.25	Stockholders' Agreement dated as of January 20, 2000 of the Company	
10.26	Registration Rights Agreement dated as of January 20, 2000 of the Company	
10.27	Management Services Agreement dated as of January 20, 2000 by and between the Company and THL Equity Advisors IV, LLC.	
10.28	Amended and Restated Financial Advisory Agreement dated as of January 20, 2000 by and between the Company and Kelso & Company, L.P.	
10.29	Non-Competition, Non-Solicitation and Non-Disclosure Agreement dated as of January 20, 2000 by and between the Company and JED Communications Associates, Inc.	
10.30	Non-Competition, Non-Solicitation and Non-Disclosure Agreement dated as of January 20, 2000 by and between the Company and Daniel G. Bergstein	
10.31	Non-Competition, Non-Solicitation and Non-Disclosure Agreement dated as of January 20, 2000 by and between the Company and Meyer Haberman	

Exhibit Number	Description	Page No.
10.32	Subscription Agreement dated as of January 31, 2000 by and between the Company and each of the Subscribers party thereto	
10.33	Employment Agreement dated as of January 20, 2000 by and between the Company and Jack Thomas	
10.34	Employment Agreement dated as of January 20, 2000 by and between the Company and Eugene Johnson	
10.35	Employment Agreement dated as of January 20, 2000 by and between the Company and John P. Duda	
10.36	Employment Agreement dated as of January 20, 2000 by and between the Company and Walter E. Leach, Jr.	
10.37	Institutional Stock Purchase Agreement dated as of January 20, 2000 by and among the Company and the other parties thereto	
10.38	Institutional Stockholders Agreement dated as of January 20, 2000 by and among the Company and the other parties thereto	
12	Ratio of Earnings to fixed charges calculation (filed herewith)	
21	Subsidiaries of the Company	
27	Financial Data Schedule	

* Previously filed.

ATTACHMENT 6

Schedule 4

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2000

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the Transition period from _____ to _____

Commission File Number 333-56365

FAIRPOINT COMMUNICATIONS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

521 East Morehead Street, Suite 250
Charlotte, North Carolina
(Address of Principal Executive Offices)

13-3725229
(IRS Employer Identification No.)

28202
(Zip Code)

Registrant's Telephone Number, Including Area Code:
(704) 344-8150

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of August 1, 2000, the registrant had outstanding 11,979,806 shares of Class A common stock, 12,543,728 shares of Class B common stock and 4,269,440 shares of Class C common stock.

FAIRPOINT COMMUNICATIONS, INC.
QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 2000
INDEX

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**FairPoint Communications, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets**

	<u>June 30, 2000</u>	<u>December 31, 1999</u>
	<small>(unaudited)</small>	
	<small>(Dollars in thousands)</small>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,792	\$ 9,923
Accounts receivable and other	51,314	40,257
Total current assets	<u>67,106</u>	<u>50,180</u>
Property, plant, and equipment, net	<u>270,309</u>	<u>178,296</u>
Other assets:		
Investments	48,957	36,246
Goodwill, net of accumulated amortization	414,207	229,389
Deferred charges and other assets	31,775	23,924
Total other assets	<u>494,939</u>	<u>289,559</u>
Total assets	<u>\$832,354</u>	<u>518,035</u>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 22,219	\$ 12,778
Current portion of long-term debt and other long-term liabilities	5,235	5,102
Demand notes payable	640	752
Accrued interest payable	8,539	4,396
Other accrued liabilities	12,867	11,492
Total current liabilities	<u>49,500</u>	<u>34,520</u>
Long-term liabilities:		
Long-term debt, net of current portion	611,687	458,529
Deferred credits and other long-term liabilities	41,516	33,124
Total long-term liabilities	<u>653,203</u>	<u>491,653</u>
Minority interest	<u>16</u>	<u>443</u>
Common stock subject to put option	<u>—</u>	<u>3,000</u>
Stockholders' equity (deficit):		
Preferred stock	215	—
Common stock	288	345
Additional paid-in capital	236,156	48,868
Unearned compensation	(14,714)	—
Accumulated other comprehensive income	2,873	4,187
Accumulated deficit	(95,183)	(64,981)
Total stockholders' equity (deficit)	<u>129,635</u>	<u>(11,581)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$832,354</u>	<u>\$518,035</u>

See accompanying notes to condensed consolidated financial statements.

FairPoint Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2000	1999	2000	1999
	(Dollars in thousands)			
Revenues	\$ 59,630	\$35,496	\$104,548	\$ 68,324
Operating expenses:				
Network operating costs	30,678	11,032	51,823	20,505
Selling, general and administrative	20,337	12,555	35,433	22,306
Depreciation and amortization	12,889	7,782	21,885	14,964
Stock-based compensation expense	1,376	49	13,699	99
Total operating expenses	<u>65,280</u>	<u>31,418</u>	<u>122,840</u>	<u>57,874</u>
Income (loss) from operations	<u>(5,650)</u>	<u>4,078</u>	<u>(18,292)</u>	<u>10,450</u>
Other income (expense):				
Net gain on sale of investments	2,637	20	2,843	226
Interest income	162	115	892	280
Dividend income	308	187	490	592
Interest expense	(17,094)	(9,565)	(27,259)	(18,899)
Other, net	2,565	933	3,246	1,073
Total other expense	<u>(11,422)</u>	<u>(8,310)</u>	<u>(19,788)</u>	<u>(16,728)</u>
Loss before income taxes	<u>(17,072)</u>	<u>(4,232)</u>	<u>(38,080)</u>	<u>(6,278)</u>
Income tax benefit	4,978	1,287	7,804	1,518
Minority interest in income of subsidiaries	—	(13)	(1)	(39)
Net loss	<u><u>\$(12,094)</u></u>	<u><u>\$(2,958)</u></u>	<u><u>\$(30,277)</u></u>	<u><u>\$ (4,799)</u></u>

See accompanying notes to condensed consolidated financial statements.

FairPoint Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2000	1999
	(Dollars in thousands)	
Cash flows from operating activities:		
Net loss	\$(30,277)	\$ (4,799)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of debt issue costs	1,446	972
Depreciation and amortization	21,885	14,964
Other non cash items	6,100	(2,647)
Changes in assets and liabilities arising from operations, net of acquisitions:		
Accounts receivable	(6,778)	(1,286)
Accounts payable and accrued expenses	3,271	(924)
Income taxes recoverable	(2,709)	(698)
Total adjustments	<u>23,215</u>	<u>10,381</u>
Net cash provided by (used in) operating activities	<u>(7,062)</u>	<u>5,582</u>
Cash flows from investing activities:		
Net capital additions	(25,621)	(8,195)
Acquisitions of telephone properties	(190,833)	(22,932)
Other, net	8,362	7,824
Net cash used in investing activities	<u>(208,092)</u>	<u>(23,303)</u>
Cash flows from financing activities:		
Loan origination costs	(8,869)	(2)
Proceeds from issuance of long-term debt	461,261	24,279
Repayment of long-term debt	(389,626)	(9,877)
Net proceeds from the issuance of common stock	158,934	(15)
Other, net	(677)	112
Net cash provided by financing activities	<u>221,023</u>	<u>14,497</u>
Net increase (decrease) in cash and cash equivalents	5,869	(3,224)
Cash and cash equivalents, beginning of period	<u>9,923</u>	<u>13,241</u>
Cash and cash equivalents, end of period	<u>\$ 15,792</u>	<u>\$ 10,017</u>

See accompanying notes to condensed consolidated financial statements.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(1) Organization and Basis of Financial Reporting

In April 2000, MJD Communications, Inc. (the "Company") changed its name to FairPoint Communications, Inc.

In the opinion of the management, the accompanying financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results of operations, financial position, and cash flows. The results of operations for the interim periods are not necessarily indicative of the results of operations which might be expected for the entire year. The condensed consolidated financial statements should be read in conjunction with the Company's 1999 Annual Report on Form 10-K, as amended. Certain amounts from 1999 have been reclassified to conform to the current period presentation.

(2) Acquisitions

The Company acquired traditional telephone properties through a number of acquisitions in 1999. On February 1, 1999, the Company acquired 100% of the common stock of Ravenswood Communications, Inc. and its subsidiaries. On February 16, 1999, the Company acquired 100% of the common stock of Columbus Grove Telephone Company and its subsidiary. On April 30, 1999, the Company acquired 100% of the common stock of Union Telephone Company of Hartford, Armour Independent Telephone Co. and its subsidiaries, Bridgewater-Canistota Independent Telephone Co. and WMW Cable TV Co. (collectively, "Union"). On September 1, 1999, the Company acquired 100% of the common stock of Yates City Telephone Company. On December 17, 1999 the Company acquired 100% of the common stock of The Orwell Telephone Company. The aggregate purchase price for these acquisitions was \$82.7 million, which includes \$7.4 million of acquired debt. Acquisition costs were approximately \$0.9 million. These acquisitions have been accounted for under the purchase method of accounting for business combinations and, accordingly, the acquired assets and liabilities have been recorded at their estimated fair values at the dates of acquisition, and the results of operations has been included in the accompanying consolidated financial statements from the dates of acquisition. Goodwill recognized in connection with these acquisitions was approximately \$36.7 million and will be amortized over an estimated useful life of 40 years.

On April 3, 2000, the Company acquired 100% of the common stock of TPG Communications, Inc. and Peoples Mutual Telephone Company. On June 1, 2000, the Company acquired 100% of the common stock of Fremont Telcom Co. On July 3, 2000, the Company acquired 100% of the common stock of Comerco, Inc. The approximate aggregate purchase price for these acquisitions was \$364.3 million, which includes \$86.7 million of acquired debt. The Fremont acquisition was completed using cash and the issuance of 457,318 shares of common stock of the Company. These acquisitions have been accounted for under the purchase method of accounting for business combinations and, accordingly, the acquired assets and liabilities have been recorded at their estimated fair values at the dates of acquisition, and the results of operations will be included in the Company's results from the date of acquisition. Goodwill of approximately \$201.9 million was recorded in connection with these acquisitions of traditional telephone properties and will be amortized over an estimated useful life of 40 years. The allocation of the purchase price is preliminary, however, as the working capital adjustment to the purchase price for these acquisitions have not been determined.

The following unaudited pro forma information presents the combined results of operations of the Company as though the completed acquisitions referred to in the preceding paragraphs occurred on

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

January 1, 1999. These combined results include certain adjustments, including amortization of goodwill, increased interest expense on debt related to the acquisitions, certain preacquisition transaction costs, and related income tax effects. The pro forma financial information does not necessarily reflect the results of operations that would have been achieved had the acquisitions been consummated as of the assumed dates, nor are the results necessarily indicative of the Company's future results of operations.

	PRO FORMA SIX MONTHS ENDED JUNE 30,	
	2000	1999
	(Unaudited)	
	(Dollars in thousands)	
Revenues	\$122,816	100,904
Net loss	(35,137)	(9,494)

(3) Compensation Expense

In January 2000, the Company recognized aggregate compensation expense of \$12,323,293 related to transactions involving employee stock options. Those transactions included the modification of options to purchase 40,600 shares of Class A common stock (\$463,002), the settlement of options to purchase 260,340 shares of Class A common stock for cash (\$3,349,665), and settlement of compensatory cash payment obligations with employee-shareholders (\$8,510,626).

In addition, the Company's board of directors approved the issuance of compensatory stock options (\$15,925,718) and cash bonus commitments (\$5,308,573) to participants in a subsidiary's stock option plan in exchange for the cancellation of all existing stock options issued by the subsidiary. The compensatory options and cash bonuses will be recognized in expense over the five-year vesting period. The transaction was formally ratified by the participants in the subsidiary's stock option plan in April 2000. In April 2000, the Company issued 1,620,465 options to purchase Class A common stock of the Company at an exercise price of \$3.28 per share and 73,200 options at an exercise price of \$13.12 per share. Compensation expense of \$1.4 million was recognized for these options and accrued bonuses during the three months ended June 30, 2000.

(4) 2000 Stock Incentive Plan

In May 2000, the Company adopted the 2000 Employee Stock Option Plan. The 2000 Plan provides for grants to members of management of up to 10,019,200 options to purchase common stock, at the discretion of the compensation committee. Options granted under the 2000 Plan may be of two types: (i) incentive stock options and (ii) nonstatutory stock options. Unless the compensation committee shall otherwise specify at the time of grant, any option granted under the 2000 Plan shall be a nonstatutory stock option. The maximum number of shares of common stock subject to options granted to any single participant in any calendar year is 1,500,000. The Company has granted 4,939,054 options under the plan as of June 30, 2000.

Unless otherwise determined by the compensation committee at the time of grant, options granted pursuant to the 2000 Plan will have an exercise price which is not less than the fair market value of a share of our common stock on the date the option is granted. Options have a term of ten years from date of grant. Options vest in increments of 10% on the first anniversary, 15% on the second anniversary, and 25% on the third, fourth and fifth anniversaries of an individual grant. Subject to certain provisions, in the event

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

of a change of control, we will cancel each option in exchange for a payment in cash of an amount equal to the excess, if any, of the highest price per share of common stock offered in conjunction with any transaction resulting in a change of control over the exercise price for such option.

(5) Long Term Debt

In May 2000, the Company issued \$200.0 million aggregate principal amount of 12½% senior subordinated notes. Interest on these notes is payable on May 1 and November 1 of each year, beginning on November 1, 2000. These notes will mature on May 1, 2010. These notes are unsecured senior subordinated obligations and rank equally with all of the Company's other unsecured senior subordinated indebtedness which is subordinated in right of payment to all of the Company's senior indebtedness.

(6) Reportable Segments

The Company has two reportable segments: traditional telephone operations and competitive communications operations. The traditional telephone operations provide local, long distance and other communications services to customers in rural communities in which competition is typically limited or currently does not exist for local telecommunications services. The competitive operations provide local, long distance, Internet, and other communications services to customers in markets outside of the Company's traditional telephone markets.

The Company utilizes the following information for purposes of making decisions about allocating resources to a segment and assessing a segment's performance:

	<u>Traditional telephone operations</u>	<u>Competitive communications operations</u>	<u>Total</u>
	(Unaudited)		
	(Dollars in thousands)		
Six months ended June 30, 2000:			
Revenues from external customers	\$83,336	\$21,212	\$104,548
Intersegment revenues	—	1,514	1,514
Adjusted EBITDA	29,296	(4,534)	24,762
Six months ended June 30, 1999:			
Revenues from external customers	\$63,775	\$ 4,549	\$ 68,324
Intersegment revenues	—	593	593
Adjusted EBITDA	34,166	(6,521)	27,645

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

A reconciliation of Adjusted EBITDA to the Company's net loss for the six months ended June 30, 2000 and 1999 is as follows:

	<u>2000</u>	<u>1999</u>
	<u>(Dollars in thousands)</u>	
Adjusted EBITDA to net loss:		
Adjusted EBITDA	\$ 24,762	\$27,645
Other components of net loss		
Depreciation and amortization	(21,885)	(14,964)
Interest expense	(27,259)	(18,899)
Stock-based compensation expense	(13,699)	(99)
Income tax benefit	7,804	1,518
Net loss	<u><u>\$ (30,277)</u></u>	<u><u>\$ (4,799)</u></u>

(7) Comprehensive Losses

Comprehensive losses consist of the Company's net losses and the unrealized holding gains, net of the related tax effect, on the Company's investments classified as available-for-sale. The comprehensive loss for the three months ended June 30, 2000 was \$11.3 million and \$29.0 million for the six months ended June 30, 2000. The Company did not have any investments available-for-sale during the six months ended June 30, 1999.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of FairPoint Communications, Inc. and its Subsidiaries (collectively, the "Company" or "FairPoint"). The discussion should be read in conjunction with the Company's Consolidated Financial Statements for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K, as amended.

Certain statements included in this document are forward-looking, such as statements relating to estimates of operating and capital expenditure requirements, future revenue and operating income, and cash flow and liquidity. Such forward-looking statements are based on the Company's current expectations and are subject to a number of risks and uncertainties that could cause actual results in the future to differ significantly from results expressed or implied in any forward-looking statements made by, or on behalf of, the Company. These risks and uncertainties include, but are not limited to, uncertainties relating to economic and business conditions, governmental and regulatory policies, and the competitive environment in which the Company operates. These and other risks are detailed below as well as in other documents filed by the Company with the Securities and Exchange Commission.

Overview

In April 2000, MJD Communications, Inc. changed its name to FairPoint Communications, Inc.

We are a national, facilities-based provider of voice, data and Internet services. We began our business in 1993 for the purpose of acquiring and operating traditional telephone companies in rural markets. Since our inception, we have acquired 28 such companies, which currently operate in 17 states. In early 1998, we launched our competitive communications business by competing for small and medium-sized business customers in Tier IV and select Tier III markets, which typically have populations of less than 100,000. These markets are generally within a 200-mile radius of the areas served by our traditional telephone companies. We refer to this as our "edge-out" strategy, which allows us to leverage our existing network infrastructure, operating systems and management expertise to accelerate the nationwide roll-out of our competitive communications business in a capital-efficient manner. Furthermore, the stable cash flows of our traditional telephone business provide financial capacity to help fund our continued growth.

Historically, our operating results have been primarily related to our traditional telephone business, which is characterized by stable growth and cash flow. In the future, we anticipate that our competitive communications business will have an increasing impact on our operating results. We expect that our revenue growth will accelerate along with the expansion of our competitive communications services and web-enabled services. As we continue to expand our services and enter new markets, we expect network operating costs, selling, general and administrative expenses, capital expenditures and depreciation to increase substantially. We expect to experience operating losses for the next few years as a result of expanding our competitive communications business into new markets.

Revenues

We derive our revenues from:

- *Local calling services.* We receive revenues from providing local exchange telephone services, including monthly recurring charges for basic service, usage charges for local calls and service charges for special calling features.
- *Network access charges.* These revenues consist primarily of charges paid by long distance companies and other customers for access to our networks in connection with the completion of long distance telephone calls both to and from our customers.

- *Long distance services.* We receive revenues from charges to our retail and wholesale long distance customers.
- *Data and Internet services.* We receive revenues from monthly recurring charges for services, including digital subscriber line, Voice over Internet Protocol/Voice Telephony over Asynchronous Transfer Mode, special access, private lines, Internet and other services.
- *Other services.* We receive revenues from other services, including billing and collection, directory services and sale and maintenance of customer premise equipment.

The following summarizes our percentage of revenues from these sources:

Revenue Source	% of Revenue	
	Six-month period ended	
	June 30, 2000	June 30, 1999
Local calling services	34%	26%
Network access charges	43%	51%
Long distance services	9%	7%
Data and Internet services	5%	4%
Other services	9%	12%

Operating Expenses

Our principal operating expenses are categorized as network operating costs, selling, general and administrative expenses, depreciation and amortization and stock-based compensation expense.

- *Network operating costs* include costs incurred in connection with the operation of our central offices and outside plant facilities and related operations. In addition to the operational costs of owning and operating our own facilities, we also lease and purchase local and long distance services from the regional Bell operating companies, large independent telephone companies and third party long distance providers.
- *Selling, general and administrative expenses* consist of expenses relating to sales and marketing, customer service and administration and corporate and personnel administration.
- *Depreciation and amortization* includes depreciation of our communications network and equipment and amortization of goodwill related to our acquisitions.
- *Stock-based compensation expense* consists of non-cash compensation charges incurred in connection with shareholder appreciation rights agreements granted to a number of executive officers and stock options to employees.

Acquisitions

As we continue to expand into competitive markets, we expect to focus our acquisition efforts on companies that enable us to enhance the implementation of our strategy as a competitive communications provider. Our past acquisitions have had a major impact on our operations. Accordingly, we do not believe that comparing historical results on a period by period basis is meaningful due to the significant number of acquisitions we have made each year.

- In 2000, we acquired four traditional telephone companies for an aggregate purchase price of \$364.3 million, which included \$86.7 million of acquired debt. At the respective dates of acquisition, these companies served an aggregate of approximately 79,500 access lines.

- In 1999, we acquired seven traditional telephone companies, which we refer to as the 1999 acquisitions, for an aggregate purchase price of \$82.7 million, which included \$7.4 million of acquired debt. At the respective dates of acquisition, these companies served an aggregate of approximately 14,700 access lines.

Stock-based Compensation Expense

In connection with the January 2000 equity financing and recapitalization, we recognized a non-cash compensation charge of \$12.3 million. The charge consisted of compensation expense of \$3.8 million recognized in connection with the modification of employee stock options and the settlement of employee stock options for cash by a principal shareholder of the Company. The compensation expense also included the settlement of a cash payment obligation between certain employee-shareholders of the Company and its principal shareholders under their pre-existing shareholders' agreements for \$8.5 million.

We are recognizing expense related to the excess of estimated fair market value over the aggregate exercise price of options that were granted to some of our officers and employees in April 2000 in exchange for options to purchase common stock of our subsidiary, FairPoint Communications Solutions Corp. ("FairPoint Solutions"). This excess of \$15.9 million of intrinsic value of the options will be amortized over the vesting period of five years. In conjunction with these options, we intend to provide a cash bonus of \$5.3 million that will also be recognized over the five-year vesting period. The payment of the cash bonus will be deferred until the underlying options are exercised, with proceeds from exercise being equal to the bonus. Accordingly, there will not be any material cash impact to us from these transactions.

Results of Operations

Three Month Period Ended June 30, 2000 Compared with Three Month Period Ended June 30, 1999

Revenues. Revenues increased \$24.1 million to \$59.6 million for the three months ended June 30, 2000 from \$35.5 million for the three months ended June 30, 1999. \$10.6 million of this increase was attributable to the internal growth of our competitive and traditional communications businesses, \$11.0 million of the increase was attributable to revenues from companies we acquired in 2000 and \$2.5 million of the increase was attributable to revenues from companies we acquired in 1999. These factors contributed to the growth in all of our revenue sources. Local calling services accounted for \$11.0 million of this increase, including \$6.6 million from new business lines in our competitive markets and increasing access lines in our traditional telephone companies, \$3.7 million from companies we acquired in 2000 and \$0.7 million from companies we acquired in 1999. Network access charges increased \$7.5 million, of which \$4.8 million was contributed by companies we acquired in 2000, \$1.0 million was contributed by the companies we acquired in 1999 and \$1.7 million was from new business lines in our competitive and traditional communications markets. Long distance services revenues increased \$2.9 million due mainly to revenues from new long distance retail and wholesale customers. Data and Internet services increased \$2.0 million from \$1.4 million as a result of increased service offerings to our customers and acquisitions. Other revenues increased \$0.7 million primarily due to the companies we acquired in 2000 and 1999.

Operating Expenses.

Network Operating Costs. Network operating costs increased \$19.7 million to \$30.7 million for the three months ended June 30, 2000 from \$11.0 million for the three months ended June 30, 1999. The majority of the increase, \$15.3 million, was attributable to operating expenses associated with the expansion into competitive markets and increased growth in local calling, network access and long distance service offerings. Of the remaining increase, the companies we acquired in 2000 account for \$3.4 million and the companies we acquired in 1999 account for \$1.0 million.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$7.8 million to \$20.3 million for the three months ended June 30, 2000 compared to \$12.5 million for the three months ended June 30, 1999. Contributing to this increase were costs of \$5.1 million primarily related to expansion of selling, customer support and administration activities to support our growth in competitive markets. The companies we acquired in 2000 contributed \$1.8 million to the increase and the companies we acquired in 1999 contributed \$0.9 million to the increase.

Depreciation and Amortization. Depreciation and amortization increased \$5.1 million to \$12.9 million for the three months ended June 30, 2000 from \$7.8 million for the three months ended June 30, 1999. This increase consisted of \$1.2 million due to the increased investment in our communications network to support the growth of our competitive communications business and \$3.9 million related to the acquisitions.

Stock-based Compensation Expense. As discussed above, in connection with the FairPoint Solutions stock options, we recognized non-cash compensation charges of \$1.4 million in the second quarter of 2000.

Income (loss) from Operations. Income (loss) from operations decreased \$9.7 million to a \$5.6 million loss for the three months ended June 30, 2000 from \$4.1 million for the three months ended June 30, 1999. This margin decline was primarily attributable to the \$1.4 million stock based compensation expense and the expenses associated with the expansion into competitive markets. We expect this trend to continue for the next few years as we build-out our competitive communications business.

Other Income (Expense). Total other expense increased \$3.1 million to \$11.4 million for the three months ended June 30, 2000 compared to \$8.3 million for the three months ended June 30, 1999. The expense consists primarily of interest expense on long-term debt.

Net Loss. Our net loss was \$12.1 million for the three months ended June 30, 2000, compared to a loss of \$3.0 million for the three months ended June 30, 1999, as a result of the factors discussed above.

Six Month Period Ended June 30, 2000 Compared with Six Month Period Ended June 30, 1999

Revenues. Revenues increased \$36.2 million to \$104.5 million for the six months ended June 30, 2000 from \$68.3 million for the six months ended June 30, 1999. \$19.0 million of this increase was attributable to the internal growth of our competitive and traditional communications businesses, \$11.0 million of the increase was attributable to revenues from companies we acquired in 2000 and \$6.2 million of the increase was attributable to revenues from companies we acquired in 1999. These factors contributed to the growth in all of our revenue sources. Local calling services accounted for \$17.2 million of this increase, including \$11.7 million from new business lines in our competitive markets and increasing access lines in our traditional telephone companies, \$3.7 million from companies we acquired in 2000 and \$1.8 million from companies we acquired in 1999. Network access charges increased \$10.5 million, of which \$4.8 million was contributed by companies we acquired in 2000, \$2.7 million was contributed by the companies we acquired in 1999, \$2.0 million was from new business lines in our competitive markets and \$1.0 million was from universal service revenue increases within our traditional telephone companies. Long distance services revenues increased \$4.9 million due mainly to revenues from new long distance retail and wholesale customers. Data and Internet services increased \$2.6 million from \$2.6 million as a result of increased service offerings to our customers. Other revenues increased \$1.0 million primarily due to the companies we acquired in 2000 and 1999.

Operating Expenses.

Network Operating Costs. Network operating costs increased \$31.3 million to \$51.8 million for the six months ended June 30, 2000 from \$20.5 million for the six months ended June 30, 1999. The majority of the increase, \$26.0 million, was attributable to operating expenses associated with the expansion into competitive markets and increased growth in local calling, network access and long distance service

offerings. Of the remaining increase, the companies we acquired in 2000 account for \$3.4 million and the companies we acquired in 1999 account for \$1.9 million.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$13.1 million to \$35.4 million for the six months ended June 30, 2000 compared to \$22.3 million for the six months ended June 30, 1999. Contributing to this increase were costs of \$10.5 million primarily related to expansion of selling, customer support and administration activities to support our growth in competitive markets. The companies we acquired in 2000 contributed \$1.8 million to the increase and the companies we acquired in 1999 contributed \$0.8 million to the increase.

Depreciation and Amortization. Depreciation and amortization increased \$6.9 million to \$21.9 million for the six months ended June 30, 2000 from \$15.0 million for the six months ended June 30, 1999. This increase consisted of \$2.2 million due to the increased investment in our communications network to support the growth of our competitive communications business and \$4.7 million related to the acquisitions.

Stock-based Compensation Expense. As discussed above, in connection with our equity recapitalization, we recognized non-cash compensation charges of \$12.3 million for the six months ended June 30, 2000. An additional \$1.4 million was recognized in association with the FairPoint Solutions employee stock options.

Income (loss) from Operations. Income from operations decreased \$28.7 million to a loss of \$18.3 million for the six months ended June 30, 2000 from \$10.4 million for the six months ended June 30, 1999. This margin decline was primarily attributable to the \$13.7 million stock based compensation expense and the expenses associated with the expansion into competitive markets. Except for the effect of the \$12.3 million stock-based compensation charge discussed above, we expect this trend to continue for the next few years as we build-out our competitive communications business.

Other Income (Expense). Total other expense increased \$3.1 million to \$19.8 million for the six months ended June 30, 2000 compared to \$16.7 million for the six months ended June 30, 1999. The expense consists primarily of interest expense on long-term debt.

Net Loss. Our net loss was \$30.3 million for the six months ended June 30, 2000, compared to a loss of \$4.8 million for the six months ended June 30, 1999, as a result of the factors discussed above.

Liquidity and Capital Resources

The Company's cash flow requirements include general corporate expenditures, capital expenditures, debt service requirements and acquisitions. The Company expects that its traditional telephone companies' cash flow from operations and the Credit Facility will fund the capital expenditures, working capital and debt interest payment requirements of its traditional telephone companies for the foreseeable future. The Company will require significant capital resources as it expands its competitive communications business. The Company's capital requirements will include the funding of operations and capital asset expenditures.

Historically, the Company has used the proceeds from institutional and bank debt, private equity offerings, and available cash flow to fund its operations. The Company may secure additional funding through the sale of public or private debt and/or equity securities or enter into another bank credit facility to fund future acquisitions and operations. If the growth of the Company's competitive communications business occurs more rapidly than the Company currently anticipates or if the Company's operating results are below expectations, there can be no assurance that the Company will be successful in raising sufficient additional capital on terms that it considers acceptable, or that the Company's operations will produce positive cash flow in sufficient amounts to meet its liquidity requirements. The failure to raise and generate sufficient funds may require the Company to delay or abandon some of its planned future growth or

expenditures, which could have a material adverse effect on the Company's growth and its ability to compete in the communications industry.

Debt Financing

We have utilized a variety of debt instruments to fund our business, including:

The Credit Facility. Our Credit Facility provides for two term facilities, one with approximately \$67.2 million principal amount outstanding as of June 30, 2000 that matures on June 30, 2006 and the other with the principal amount of approximately \$71.1 million outstanding that matures on June 30, 2007. Our Credit Facility also provides for a revolving facility with a principal amount of \$85.0 million that matures on September 30, 2004 and a revolving acquisition facility with a principal amount of \$165.0 million that also matures on September 30, 2004. As of June 30, 2000, \$46.0 million was outstanding on the revolving acquisition facility and \$204.0 million was available for borrowing under the remaining revolving acquisition facility and revolving facility.

Senior Subordinated Notes and Floating Rate Notes issued in 1998. We have outstanding publicly-held debt comprised of \$125.0 million aggregate principal amount of 9½% senior subordinated notes and \$75.0 million aggregate principal amount of floating rate notes. Interest on the senior subordinated notes and floating rate notes is payable semi-annually in cash on each May 1 and November 1. Both series of notes mature on May 1, 2008. We have entered into interest rate swap agreements to reduce the impact of changes in interest rates on our floating rate notes. These notes are general unsecured obligations, subordinated in right of payment to all existing and future senior debt and effectively subordinated to all existing and future debt and other liabilities of our subsidiaries.

Senior Subordinated Notes issued in 2000. In May 2000, we issued \$200.0 million aggregate principal amount of 12½% senior subordinated notes. Interest on these notes is payable on May 1 and November 1 of each year, beginning on November 1, 2000. These notes will mature on May 1, 2010. These notes are general unsecured obligations and rank equally with all of FairPoint's other unsecured senior subordinated indebtedness and are subordinated in right of payment to all of FairPoint's senior indebtedness, whether or not secured, and to all of our subsidiaries' existing or future indebtedness, whether or not secured.

FairPoint Solutions Credit Facility. The FairPoint Solutions Credit Facility provides for a revolving facility with a principal amount of \$165.0 million that matures on October 20, 2004. As of June 30, 2000, \$7.0 million was outstanding and \$158.0 million was available for borrowing under the FairPoint Solutions' credit facility. Amounts under the FairPoint Solutions credit facility bear interest at a base rate or LIBOR, plus a margin up to 4.25%.

Equity Financing

In connection with our January 2000 equity financing and recapitalization transaction, affiliates of Thomas H. Lee Equity Fund IV, L.P. (collectively, "THL"), investment partnerships affiliated with Kelso & Company (collectively, "Kelso"), and certain other institutional investors and members of management acquired an aggregate of \$408.8 million of our equity securities. We received \$158.9 million of net proceeds in such transaction, which it used to repay debt. In addition, THL committed to invest up to an additional \$50 million in our equity securities, subject to various conditions. This commitment expires on December 31, 2000.

Cash Flows

Net cash used by operating activities was \$7.0 million for the six months ended June 30, 2000 and net cash provided by operating activities was \$5.6 million for the six months ended June 30, 1999. Net cash used in investing activities was \$208.1 million and \$23.3 million for the six months ended June 30, 2000 and 1999, respectively. These cash flows primarily reflect expenditures relating to traditional telephone

company acquisitions of \$190.8 million and \$22.9 million and capital expenditures of \$25.6 million and \$8.2 million for the six months ended June 30, 2000 and 1999, respectively. Net cash provided by financing activities was \$221.0 million and \$14.5 million for the six months ended June 30, 2000 and 1999, respectively. These cash flows for the six months ended June 30, 2000 primarily represent the proceeds from the January equity transaction of \$158.9 million and the net issuance of long term debt of \$71.6 million. The cash flows for the six months ended June 30, 1999 primarily represent the net issuance of long term debt.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 137, or Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133, delays the effective date of this statement to all fiscal years beginning after June 15, 2000. We anticipate adopting this accounting pronouncement in 2001; however, we believe it will not have a significant impact on our consolidated financial statements.

Inflation

We do not believe inflation has a significant effect on our operations.

Year 2000

We did not experience significant disruptions in our operations as a result of the Year 2000 issue.

Item 3a. Quantitative and Qualitative Disclosures about Market Risk

At June 30, 2000, we recorded our marketable equity securities at a fair value of \$5.0 million. These securities have exposure to price risk. A hypothetical ten percent adverse change in quoted market prices would decrease the recorded value by approximately \$0.5 million.

We have limited our exposure to material future earnings or cash flow exposures from changes in interest rates on long-term debt, since approximately 72% of our debt bears interest at fixed rates or effectively at fixed rates through the use of interest rate swaps. However, our earnings are affected by changes in interest rates as our long-term debt under our senior credit facility has variable interest rates based on either the prime rate or LIBOR. If interest rates on our variable debt averaged 10% more, our interest expense would have increased, and loss before taxes would have increased by approximately \$0.7 million for the six months ended June 30, 2000.

We have entered into interest rate swaps to manage our exposure to fluctuations in interest rates on our variable rate debt. The fair value of these swaps was approximately \$1.0 million at June 30, 2000. The positive fair value indicates an estimated amount we would be paid to cancel the contracts or transfer them to other parties. In connection with our credit facility, we used an interest rate swap agreement with a notional amount of \$25 million to effectively convert a portion of our variable interest rate exposure to a fixed rate of 9.91%. The swap agreement expires on September 29, 2000. In connection with our floating rate notes, we used two interest rate swap agreements, with notional amounts of \$50 million and \$25 million, respectively, to effectively convert our variable interest rate exposure to a fixed rate of 10.01% and 9.95%, respectively. The swap agreements expire on November 1, 2001 and 2000, respectively.

PART II. OTHER INFORMATION

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 2.1 Stock Purchase Agreement dated as of December 10, 1999 by and among MJD Ventures, Inc., Peoples Mutual Telephone Company and the other parties thereto.(1)
- 2.2 Stock Purchase Agreement dated as of December 23, 1999 by and among MJD Ventures, Inc., TPG Communications, Inc., TPG Partners, L.P., TPG Parallel I, L.P., J. Milton Lewis and Robert DiPauli.(1)
- 2.3 Stock Purchase Agreement dated as of January 4, 2000 by and among FairPoint, Thomas H. Lee Equity IV, L.P., Kelso Investment Associates V, L.P., Kelso Equity Partners V, L.P., Carousel Capital Partners, L.P. and certain other signatories thereto.(1)
- 2.4 Stock Purchase Agreement dated as April 25, 2000 by and among MJD Ventures, Inc., Fremont Telcom Co. and the other parties thereto.(4)
- 2.5 Stock Purchase Agreement dated as of May 23, 2000 by and among MJD Ventures, Inc., W.B.W. Trust Number One and Comerco, Inc.(4)
- 3.1 Sixth Amended and Restated Certificate of Incorporation of FairPoint.(2)
- 3.2 By-Laws of FairPoint.(4)
- 3.3 Certificate of Designation of Series D Preferred Stock of FairPoint.(1)
- 4.1 Indenture, dated as of May 5, 1998, between FairPoint and United States Trust Company of New York, relating to FairPoint's \$125,000,000 9½% Senior Subordinated Notes due 2008 and \$75,000,000 Floating Rate Callable Securities due 2008.(3)
- 4.2 Indenture, dated as of May 24, 2000, between FairPoint and United States Trust Company of New York, relating to FairPoint's \$200,000,000 12½% Senior Subordinated Notes due 2010.(4)
- 4.3 Form of Initial Fixed Rate Security.(3)
- 4.4 Form of Initial Floating Rate Security.(3)
- 4.5 Form of Exchange Fixed Rate Security.(3)
- 4.6 Form of Exchange Floating Rate Security.(3)
- 4.7 Form of 144A Senior Subordinated Note due 2010.(4)
- 4.8 Form of Regulation S Senior Subordinated Note due 2010.(4)
- 4.9 Registration Rights Agreement dated as of May 19, 2000 between FairPoint and the Initial Purchasers named therein.(4)
- 10.1 Credit Agreement dated as of March 30, 1998 among FairPoint, various lending institutions, NationsBank of Texas, N.A. and Bankers Trust Company.(3)
- 10.2 First Amendment to Credit Agreement dated as of April 30, 1998 among FairPoint, NationsBank of Texas, N.A. and Bankers Trust Company.(1)

- 10.3 Second Amendment to Credit Agreement dated as of May 14, 1999 among FairPoint, NationsBank of Texas, N.A. and Bankers Trust Company.(4)
- 10.4 Amendment and Waiver dated as of January 12, 2000 among FairPoint, NationsBank of Texas, N.A. and Bankers Trust Company.(4)
- 10.5 Fourth Amendment and Consent dated as of March 14, 2000 among FairPoint, First Union National Bank, Bank of America, N.A. and Bankers Trust Company.(2)
- 10.6 Form of B Term Note.(3)
- 10.7 Form of C Term Note Floating Rate.(3)
- 10.8 Form of C Term Note Fixed Rate.(3)
- 10.9 Form of RF Note.(3)
- 10.10 Form of AF Note.(3)
- 10.11 Subsidiary Guarantee dated as of March 30, 1998 by MJD Holdings Corp., MJD Ventures, Inc., MJD Services Corp., ST Enterprises, Ltd. for the benefit of Bankers Trust Company.(3)
- 10.12 Pledge Agreement dated as of March 30, 1998 among MJD Communications, Inc., ST Enterprises, Ltd., MJD Holdings Corp., MJD Services Corp., MJD Ventures, Inc., C-R Communications, Inc., as pledgors, and Bankers Trust Company, as collateral agent and pledgee.(3)
- 10.13 Stockholders' Agreement dated as of January 20, 2000 of FairPoint.(1)
- 10.14 Registration Rights Agreement dated as of January 20, 2000 of FairPoint.(1)
- 10.15 Management Services Agreement dated as of January 20, 2000 by and between FairPoint and THL Equity Advisors IV, LLC.(1)
- 10.16 Amended and Restated Financial Advisory Agreement dated as of January 20, 2000 by and between FairPoint and Kelso & Company, L.P.(1)
- 10.17 Non-Competition, Non-Solicitation and Non-Disclosure Agreement dated as of January 20, 2000 by and between FairPoint and JED Communications Associates, Inc.(1)
- 10.18 Non-Competition, Non-Solicitation and Non-Disclosure Agreement dated as of January 20, 2000 by and between FairPoint and Daniel G. Bergstein.(1)
- 10.19 Non-Competition, Non-Solicitation and Non-Disclosure Agreement dated as of January 20, 2000 by and between FairPoint and Meyer Haberman.(1)
- 10.20 Subscription Agreement dated as of January 31, 2000 by and between FairPoint and each of the Subscribers party thereto.(1)
- 10.21 Employment Agreement dated as of January 20, 2000 by and between FairPoint and Jack Thomas.(1)
- 10.22 Employment Agreement dated as of January 20, 2000 by and between FairPoint and Eugene Johnson.(1)
- 10.23 Employment Agreement dated as of January 20, 2000 by and between FairPoint and John P. Duda.(1)
- 10.24 Employment Agreement dated as of January 20, 2000 by and between FairPoint and Walter E. Leach, Jr.(1)

- 10.25 Institutional Stock Purchase Agreement dated as of January 20, 2000 by and among FairPoint and the other parties thereto.(1)
- 10.26 Institutional Stockholders Agreement dated as of January 20, 2000 by and among FairPoint and the other parties thereto.(1)
- 10.27 FairPoint 1995 Stock Option Plan.(4)
- 10.28 FairPoint Amended and Restated 1998 Stock Incentive Plan.(4)
- 10.29 FairPoint 2000 Employee Stock Option Plan.(4)
- 27.1 Financial Data Schedule*

* Filed herewith.

- (1) Incorporated by reference to the annual report of FairPoint for the year ended 1999, filed on Form 10-K.
- (2) Incorporated by reference to Amendment No. 1 to the annual report of FairPoint for the year ended 1999, filed on Form 10-K/A.
- (3) Incorporated by reference to the registration statement on Form S-4 of FairPoint, declared effective as of October 1, 1998 (file no. 333-56365).
- (4) Incorporated by reference to the registration statement on Form S-4 of FairPoint, declared effective as of August 9, 2000 (file no. 333-41462).

(b) Reports on Form 8-K

On February 4, 2000, the Company filed a Current Report on Form 8-K disclosing the consummation of its January 2000 equity financing and recapitalization.

On April 17, 2000, the Company filed a Current Report on Form 8-K disclosing its acquisition of all of the outstanding capital stock of TPG Communications, Inc., pursuant to the terms of a Stock Purchase Agreement, dated as of December 23, 1999, for an aggregate purchase price of approximately \$146.3 million.

On May 10, 2000, the Company filed a Current Report on Form 8-K, dated May 9, 2000, announcing its intention to file a registration statement for an underwritten public offering of its common stock.

On May 10, 2000 the Company filed a Current Report on Form 8-K, dated May 9, 2000, announcing its intention to raise \$2000 million through a private offering of senior subordinated notes. The senior subordinated notes will have a ten-year term and interest will be paid semi-annually in cash.

On May 10, 2000 the Company filed a Current Report on Form 8-K, dated April 28, 2000 announcing the amendment and restatement of its Certificate of Incorporation to change its legal name from MJD Communications, Inc. to FairPoint Communications, Inc.

On May 31, 2000, the Company filed a Current Report on Form 8-K disclosing the consummation of its May 2000 private placement of \$200 million of its 12½% Senior Subordinated Notes due 2010.

ATTACHMENT 7

ATTACHMENT 7

Schedule 1

FairPoint Communications Solutions Corp.

Regulations and Rates applicable to the furnishing of
Local Exchange Services
within the State of North Dakota
by
FairPoint Communications Solutions Corp.

ILLUSTRATIVE TARIFF

Issued:

Effective:

By: John LaPenta, Director of Regulatory Affairs & Carrier Relations
6324 Fairview Road, Suite 400
Charlotte, NC 28210

CHECK SHEET

The Pages listed below are inclusive of this Price List and are effective as of the date shown at the bottom of the respective pages. Original and revised pages, as named below, comprise all changes from the original Tariff and are currently in effect as of the date shown on the bottom of this page.

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SYMBOLS

- (C) Indicates Changed Regulation
- (D) Indicates Discontinued or Deleted Rate or Regulation
- (I) Indicates Rate Increase
- (M) Indicates Move in Location of Text
- (N) Indicates New Rate or Regulation
- (R) Indicates Rate Reduction
- (T) Indicates Change of Text Only

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Charlotte, NC 28210

TARIFF FORMAT

- A. Page Numbering – Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.
- B. Pages Revision Numbers – Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the _____. For example, the 4th Revised page 14 cancels the 3rd Revised Page 14. Because of various suspension periods, deferrals etc. the _____ follows in their tariff approval process, the most current page number on file with the _____ is not always the tariff page in effect.
- C. Paragraph Numbering Sequence – There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
 - 2.1.
 - 2.1.1.
 - 2.1.1.A
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a).1
 - 2.1.1.A.1.(a).1.(i).
 - 2.1.1.A.1.(a).1.(i).(1)
- D. Check Sheets – When a tariff filing is made with the _____, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross-reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revision made in a given filing are designated by an asterisk (*). There will be no other symbols used on the Check Sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some page). The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the _____.

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Section 1 – DEFINITIONS

AGENCY

For 911 or E911 service, the government agency(s) designated as having responsibility for the control and staffing of the emergency report center.

ALTERNATE ROUTING (“AR”)

Allows E911 calls to be routed to a designated alternate location if (1) all E911 exchange lines to the primary PSAP (see definition of PSAP below) are busy, or (2) the primary PSAP closes down for a period (night service).

ANALOG

A transmission method employing a continuous (rather than a pulsed or digital) electrical signal that varies in amplitude or frequency in response to changes of sound, light, position, etc., impressed on a transducer in the sending device.

APARTMENTS

A building or group of buildings used primarily to provide complete residential apartments but not lodging on a day-to-day basis.

ASCII

American Standard Code for Information Interchange. An eight-level code for data transfer adopted by the American Standards Association.

ASYNCHRONOUS

Transmission in which each information character is individually synchronized usually by the use of start-stop elements. The gap between each character is not of a fixed length.

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Section 1 – DEFINITIONS (cont'd)

AUTHORIZED USER

A person, corporation or other entity that is authorized by the Company's customer to utilize service provided by the Company to the customer. The customer is responsible for all charges incurred by an Authorized User.

ATTENDANT

An operator of a PBX console or telephone switchboard.

AUTOMATIC LOCATION IDENTIFICATION (ALI)

The name and address associated with the calling party's telephone number (identified by ANI as defined below) is forwarded to the PSAP for display. Additional telephones with the same number as the calling party's (secondary locations, off premises, etc.) will be identified with the address of the telephone number at the main location.

AUTOMATIC NUMBER IDENTIFICATION (ANI)

A system whereby the calling party's telephone number is identified and sent forward with the call record for routing and billing purposes. E911 Service makes use of this system.

BIT

The smallest unit of information in the binary system of notation.

BUILDING

A structure enclosed within exterior walls or fire wall, built, erected and framed of component structural parts and designed for permanent occupancy.

CALL INITIATION

The point in time when the exchange network facility are initially allocated for the establishment of a specific call.

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Section 1 – DEFINITIONS (cont'd)

CALL TERMINATION

The point in time when the exchange network facility allocated to a specific call is released for reuse by the network.

CENTRAL OFFICE

Operating office of Company where connections are made between telephone exchange lines.

CENTRAL OFFICE LINE

A line providing direct or indirect access from a telephone or switchboard to a central office. Central office lines subject to PBX rate treatment are referred to as central office trunks.

CHANNEL

A point-to-point bi-directional path for digital transmission. A channel may be furnished in such a manner as the Company may elect, whether by wire, fiber optics, radio or a combination thereof and whether or not by means of single physical facility or route. One 1.544 Mbps Service is equivalent to 24 channels.

CHANNEL CONVERSION

The termination of 1.544 Mbps Service at a customer's location with conversion of the digital signal to 24 analog voice grade circuits. Channel Conversion can be furnished by the customer.

CHANNEL SERVICE UNIT (CSU)

The equipment located at the customer's premises which terminates each 1.544 Mbps Digital Loop and performs such functions as proper termination of facilities, regeneration of signals, recognition and correction of signal format errors and provides remote loop-back capability.

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Section 1 – DEFINITIONS (cont'd)

COLLEGE

An establishment for higher education authorized to confer degrees where lodging for the students is maintained on the premises.

COMMUNICATIONS SYSTEMS

Channels and other facilities which are capable of two-way communications between subscriber- provided terminal equipment or Telephone Company stations, even when not connected to exchange and message toll communications service.

COMPANY

FairPoint Communications Solutions Corp., unless otherwise clearly indicated from the context.

CUSTOMER

The person, firm, corporation, or other entity which orders service pursuant to this Tariff and utilizes service provided under Tariff by the Company. A customer is responsible for the payment of charges and for compliance with all terms of the Company's Tariff.

CUSTOMER PREMISES EQUIPMENT (CPE)

Equipment provided by the customer for use with Company's services. CPE can include a station set, facsimile machine, key system, PBX, or other communication system.

DEFAULT ROUTING (DR)

When an incoming E911 call cannot be selectively routed due to an ANI failure, garbled digits or other causes, such incoming calls are routed from the E911 Control Office to a default PSAP. Each incoming E911 facility group to the Control Office is assigned to a designated default PSAP.

DEMARCATIION POINT

The physical dividing point between the Company's network and the customer.

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Section 1 – DEFINITIONS (cont'd)

DIAL PULSE (“ADP”)

The pulse type employed by a rotary dial station set.

DIRECT INWARD DIAL (DID)

A service attribute that routes incoming calls directly to stations, bypassing a central answer point.

DIRECT OUTWARD DIAL (DOD)

A service attribute that allows individual station users to access and dial outside numbers directly.

DIGITAL

A method of storing, processing and transmitting information through the user of distinct electronic or optical pulses that represent the binary digits (bits) 0 and 1. Digital transmission/switching technologies employ a sequence of discrete, individually distinct pulses to represent information, as opposed to the continuously variable signal of analog technologies.

DUAL TONE MULTI-FREQUENCY (DTMF)

The pulse type employed by tone dial station sets. (Touch Tone)

EMERGENCY SERVICE NUMBER (ESN)

A unique code, assigned by the Company, used to define specific combination of police, fire and/or ambulance jurisdictions, or any other authorized agency, which are designated by the customer.

E911 SERVICE AREA

The geographic area in which the government agency will respond to all E911 calls and dispatch appropriate emergency assistance.

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Section 1 – DEFINITIONS (cont'd)

E911 CUSTOMER

A governmental agency that is the customer of record and is responsible for all negotiations, operation and payment of bills in connection with the provision of E911 service.

ERROR

A discrepancy or unintentional deviation by the Company from what is correct or true. An error, can also be an omission in records.

EXCHANGE

An area, consisting of one or more central office districts, within which a call between any two points is a local call.

EXCHANGE ACCESS LINE

A central office line furnished for direct or indirect access to the exchange system.

EXCHANGE SERVICE

The provision to the subscriber of access to the exchange system for the purpose of sending and receiving calls. This access achieved through the provision of a central office line (exchange access line) between the central office and the subscriber's premises.

FINAL ACCOUNT

A customer whose service has been disconnected who has outstanding charges still owed to the Company.

FLAT RATE SERVICE

The type of exchange service provided at a monthly rate with an unlimited number of calls within a specified primary calling area.

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Section 1 – DEFINITIONS (cont'd)

GROUND START

Describes the signaling method between the PBX/key system interface and the Company's switch. It is the signal requesting service.

HANDICAPPED PERSON

A person who is legally blind, visually handicapped or physically handicapped, under the following definitions from the Federal Register (Vol.35 #126 dated June 30, 1970).

Legally Blind: A person whose visual acuity is 20/200 or less in the better eye with correcting glasses, or whose widest diameter of visual field subtends an angular distance no greater than 20 degrees.

Visually Handicapped: A person whose visual disability, with correction and regardless of optical measurement with respect to legal blindness, are certified as unable to read normal printed material.

Physically Handicapped: A person who is certified by competent authority as unable to read or use ordinary printed materials as a result of physical limitation, or a person whose disabling condition causes difficulty with hand and finger coordination and use of a coin telephone.

The term Handicapped Person, when used in connection with a person having a speech or hearing impairment which requires that they communicate over telephone facilities by means other than voice is defined below.

Hearing: A person with binaural hearing impairment of 60% or higher on the basis of the procedure developed by the American Academy of Otolaryngology (A.A.O.) As set forth in Guide for Conservation of Hearing in Noise 38-43, A.A.O., 1973; guides to the Evaluation of Permanent Impairment 103-107, American Medical Association, 1971.

Speech: A person with 65% or higher of impairment on the basis of the procedure recommended by the American Medical Association's Committee on Rating of Mental and Physical Impairment to evaluate speech impairment as to three categories: audibility, intelligibility and functional efficiency, as set forth in Guides to the Evaluation of Permanent Impairment 109-III, American Medical Association, 1971.

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Section 1 – DEFINITIONS (cont'd)

HOSPITAL

An establishment for treatment of human patients by members of the medical profession where lodging for the patients is maintained on the premises.

HOTEL

An establishment offering lodging with or without meals to the general public on a day-to-day basis.

INCOMING SERVICE GROUP

Two or more central office lines arranged so that a call to the First line is completed to a succeeding line in the group when the first line is in use.

INTERFACE

That point on the premises of the subscriber at which provision is made for connection of facilities provided by someone other than the Company to facilities provided by the Company.

INTEROFFICE MILEAGE

The segment of a line which extends between the central office serving the originating and terminating points.

INTERRUPTION

The inability to complete calls, either incoming or outgoing or both, due to Company facilities malfunction or human errors.

JOINT USER

A person, firm, or corporation which uses the telephone service of a subscriber as provided in Section 2 of the Tariff.

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Section 1 – DEFINITIONS (cont'd)

KILOBIT

One thousand bits.

LATA

Local Access and Transport Area. The area within which the Company provides local and long distance (intraLATA) service. For call to numbers outside this area (inter LATA) service is provided by interexchange long distance companies.

LINK

The physical facility from the network interface on an end-user's or carrier's premises to the point of interconnection on the main distribution frame of the Company's central office.

LEASED CHANNEL

A non-switched electrical path used for connection of equipment furnished by the subscriber to equipment furnished by the subscriber or the Company for a specific purpose.

LOCAL CALL

A call which, if placed by a customer over the facilities of the Company, is not rated as a toll call.

LOCAL CALLING AREA

The area, consisting of one or more central office districts, within which a subscriber for exchange service may make telephone calls without a toll charge.

LOCAL SERVICE

Telephone exchange service within a local calling area.

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Section 1 – DEFINITIONS (cont'd)

LOOP START

Describes the signaling between the terminal equipment or PBX/key system interface and the Company's switch. It is the signal requesting service.

LOOPS

Segments of a line which extend from the serving central office to the originating and to the terminating point.

MEGABIT

One million bits.

MESSAGE RATE SERVICE

A type of exchange service provided at a monthly rate with an additional charge for local calling based on the usage of the local network.

MOVE

The disconnection of existing equipment at one location and reconnection of the same equipment at a new location in the same building or in a different building on the same premises.

MULTI-FREQUENCY (MF)

An inter-machine pulse-type used for signaling between telephone company switches, or between telephone company switches and PBX/key systems.

MULTILINE HUNT

A method of call signaling by which a call placed to one number is subsequently routed to one or more alternative numbers when the called number is busy.

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Section 1 – DEFINITIONS (cont'd)

NETWORK CONTROL SIGNALING

The transmission of signals used in the telecommunications system which perform functions such as supervision (control, status and charging signals), address signaling (e.g. dialing), calling and called number identification, audible tone signals (call progress signals indicating re-order or busy conditions, altering) to control the operation of switching machines in the telecommunications system.

NETWORK CONTROL SIGNALING UNIT

The terminal equipment furnished, installed and maintained by the Telephone Company for the provision of network control signaling.

NODE

The location to which digital channels are routed and where access is provided to such lines and associated equipment for testing.

PBX

A private branch exchange.

PORT

A connection to the switching network with one or more voice grade communications channels, each with a unique network address (telephone number) dedicated to the customer. A port connects a link to the public switched network.

PREMISES

The space occupied by a customer or authorized user in a building or buildings or contiguous property not separated by a public right of way.

PRIVATE BRANCH EXCHANGE SERVICE

Service providing facilities for connecting central office trunks and tie lines to PBX stations, and for interconnecting PBX station lines by means of a switchboard or dial apparatus.

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Section 1 – DEFINITIONS (cont'd)

PUBLIC ACCESS LINE SERVICE

Service providing facilities for a customer owned coin operated telephone (COCOT).

PUBLIC SAFETY ANSWERING POINT (PSAP)

An answering location for E911 calls originating in a given area. A PSAP may be designated as primary or secondary, which refers to the order in which calls are directed for answering. Primary PSAPs respond first; secondary PSAPs receive calls on a transfer basis only and generally serve as a centralized answering location for a particular type of emergency call.

RATE CENTER

A geographic reference point with specific coordinates on a map used for determining mileage when calculating charges.

REFERRAL PERIOD

The time frame during which calls to a number which has been changed will be sent to a recording which will inform the caller of the new number.

RESALE OF SERVICE

The subscription to communications service and facilities by an entity and the reoffering of communications service to others (with or without adding value) for profit.

SAME PREMISES

All space in the same building in which one subscriber has the right of occupancy, and all space in different buildings on contiguous property when occupied solely by the same subscriber. Foyers, hallways and other space for the common use of all occupants of a building are considered the premises of the operator of the building.

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Section 1 – DEFINITIONS (cont'd)

SELECTIVE ROUTING (SR)

A feature that routes an E911 call from a Central Office to the designated primary PSAP based upon the identified number of the calling party.

SERVING CENTRAL OFFICE

The central office from which local service is furnished.

SHARING

An arrangement in which several users collectively use communication service and facilities provided by a carrier, with each user paying a pro-rata share of the communication related costs.

STATION

Each telephone on line and where no telephone associated with the line is provided on the same premises and in the same building, the first termination in station key equipment or jack for use with a portable telephone.

SUSPENSION

Suspension of service for nonpayment is interruption of outgoing service only. Suspension of service at the subscriber's request is interruption of both incoming and outgoing service.

SYNCHRONOUS

Transmission in which there is a constant time interval between bits, characters or events.

T-1 SYSTEM

A type of digital carrier system transmitting voice or data at 1.544 Mbps . A T -1 carrier can handle up to 24 multiplexed 64 Kbps digital voice/data channels. A T-1 carrier system can use metallic cable, microwave radio or optical fiber as transmission media.

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Section 1 – DEFINITIONS (cont'd)

TELEPHONE CALL

A voice connection between two or more telephone stations through the public switched exchange system.

TELEPHONE GRADE LINES

Lines furnished for voice transmission or for certain signaling purposes.

TERMINATION OF SERVICE

Discontinuance of both incoming and outgoing service.

TIE LINE

A dedicated line connecting two switchboards or dial systems.

TOLL CALL

Any call extending beyond the local exchange of the originating caller which is rated on a toll schedule by the Company.

TONE DIAL SIGNALING (TD)

An electronic signal emitted by the circuitry of Touch Tone-type push button dials to represent a dialed digit.

TWO WAY

A service attribute that includes DOD for outbound calls and can also be used to carry inbound calls to a central point for processing.

USER

A customer, joint user, or any other person authorized by a customer to use service provided under this Tariff.

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Section 2 - GENERAL RULES AND REGULATIONS

2.1 Application of Tariff

This Tariff sets forth the regulations and rates applicable to services provided by FairPoint Communications Solutions Corp. (hereinafter "FairPoint" or "Company") as follows:

The furnishing of local communications services by virtue of one-way and /or two way information transmission between points within the State of _____.

2.1.1 Availability

Service is available within the state of _____ only where facilities and Company existing capabilities permit. Service may be subject to the limitations of the underlying carrier (if any), limitations imposed as a result of Interconnection Agreements or other carrier to carrier agreements of which the Company is a party, or limitations as outlined in Section 2.2 below, or as otherwise determined at the Company's sole discretion.

2.1.2 Contacting the Company

For purposes of all customer contact, including inquiries from existing and potential customers as to service availability, service descriptions, new service orders, repair and maintenance, the Company may be contacted at the following toll free number and address:

Customer Service
FairPoint Communications Solutions Corp.
99 Troy Road, Suite 100
East Greenbush, NY 12061
Toll Free: (888) 235-3242 / Fax: (877) 802-3772

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.2 USE OF FACILITIES AND SERVICE

2.2.1 Obligation of the Company

In furnishing facilities and service, the Company does not undertake to transmit messages, but furnishes the use of its facilities to its customers for communications. The Company's obligation to furnish facilities and service is dependent upon its ability; (a) to secure and retain, without unreasonable expense, suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment; (b) to secure and retain, without unreasonable expense, suitable space for its plant and facilities in the building where service is or will be provided to the customer; (c) to secure reimbursement of all costs where the owner or operator of a building demands relocation or rearrangement of plant and facilities used in providing service therein. The Company shall not be required to furnish, or continue to furnish, facilities or service where the circumstances are such that the proposed use of the facilities or service would tend to adversely affect the Company's personnel, plant, property or service.

The Company reserves the right to refuse an application for service made by a present or former customer who is indebted to the Company for service previously rendered pursuant to this tariff until the indebtedness is satisfied.

2.2.2 Limitations on Liability

a. Indemnification by Customer

The customer and any authorized or joint users, jointly and severally shall indemnify, defend and hold the Company harmless against claims, loss, damage, expense (including attorneys' fees and court costs as ordered by the court) for libel, slander, or infringement of copyright arising from the material transmitted over its facilities; against claims for infringement of patents arising from combining with, or using in connection with, facilities of the Company, equipment and systems of the customer; and against all other claims arising out of any act or omission of the customer in connection with facilities provided by the Company or the customer. In the event any such infringing use is enjoined, the customer authorized user or joint user at

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.2 USE OF FACILITIES AND SERVICES (cont'd)

2.2.2 Limitations on Liability (cont'd)

a. Indemnification by Customer (cont'd)

its option and expense, shall obtain immediately a dismissal or stay of such injunction, obtain a license or other agreement so as to extinguish any claim of infringement, or terminate the claimed infringing use or modify such infringement.

b. Customer - Provided Equipment

The service and facilities furnished by the Company are subject to the following limitations: the Company shall not be liable for damage arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission or other injury, including but not limited to injuries to persons or property from voltages or currents transmitted over the facilities of the Company caused by customer-provided equipment, facilities or premises wire.

c. Use of Facilities of Other Companies

When the facilities of other companies are used in establishing a connection, the Company is not liable for any act, error, omission, or interruption caused by the other company or their agents or employees. This includes the provision of a signaling system database by another company.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.2 USE OF FACILITIES AND SERVICES (cont'd)

2.2.3 Use of Service

Any service provided under this tariff may be resold to or shared (jointly used) with other persons at the customer's option. The customer remains solely responsible for all use of service ordered by it or billed to its telephone number(s) pursuant to this tariff, for determining who is authorized to use its service, and for promptly notifying the Company of any unauthorized use. The customer may advise its customers that a portion of its service is provided by the Company, but the customer shall not represent that the Company jointly participates with the customer in the provision of the service.

2.2.4 Directory Errors

In the absence of gross negligence or willful misconduct and except for the allowances stated below, no liability for damages arising from errors or mistakes in or omissions of directory listings, or errors or mistakes in or omissions of listings obtainable from the directory assistance operator, including errors in the reporting thereof, shall attach to the Company.

An allowance for errors or mistakes in or omissions of published directory listings or for errors or mistakes in or omissions of listing obtainable from the directory assistance operator shall be given as follows:

- a. Free Listing: for free or no-charge published directory listings, credit shall be given at the rate of two times the monthly tariff rate for an additional or charge listing for each individual or auxiliary line, PBX trunk or Centrex attendant loop affected, for the life of the directory or the charge period during which the error, mistake or omission occurs.
- b. Charge Listings: For additional or charge published directory listings, credit shall be given at the monthly tariff rate for each such listing for the life of the directory or the charge period during which the error, mistake or omission occurs.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.2 USE OF FACILITIES AND SERVICES (cont'd)

2.2.4 Directory Errors (cont'd)

- c. Operator records: For free or charge listings obtainable from records used by the directory assistance operator, upon notification to the Company of the error, mistake or omission in such records by the subscriber, the Company shall be allowed a period of three business days to make a correction. If the correction is not made in that time, credit shall be given at the rate of 2/30ths of the basic monthly rate for the line or lines in question for each day thereafter that the records remain uncorrected. (Where Centrex attendant loops are involved, credit shall be given at the rate of 2/30ths of the basic monthly rate for PBX trunks.)

- d. Credit limitation:

The total amount of the credit provided for the preceding paragraphs a, b, and c shall not exceed, the monthly rate, as specified in paragraph c, for the line or lines in question.

- e. Definitions:

As used in Section 2.2.4 a, b and c of this tariff, the terms “error,” “mistake,” or “omission” shall refer to a discrepancy in the directory assistance records which the Company has failed to correct and where the error affects the ability to locate a particular subscriber’s correct telephone number. The terms shall refer to addresses only to the extent that an error, mistake or omission of an address places the subscriber on a incorrect street or in an incorrect community.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.2 USE OF FACILITIES AND SERVICES (cont'd)

2.2.4 Directory Errors (cont'd)

f. Notice:

Such allowances or credits as specified in Section 2.2.4 a, b and c of this tariff, shall be given upon notice to the Company by the subscriber that such error, mistake or omission has occurred; provided, however, that when it is administratively feasible for the Company to have knowledge of such error, mistake or omission, the Company shall give credit without the requirement of notification by the customers.

2.3 MINIMUM PERIOD OF SERVICE

The minimum period of service is one month except as otherwise provided in this tariff. The customer must pay the regular tariff rate for the service they subscribe to for the minimum period of service. If a customer disconnects service before the end of the minimum service period, that customer is responsible for paying the regular rates for the remainder of the minimum service period. When the service is moved within the same building, to another building on the same premises, or to a different premises entirely, the period of service at each location is accumulated to calculate if the customer has met the minimum period of service obligation.

If service is terminated before the end of the minimum period of service as a result of condemnation of property, damage to property requiring the premises to be abandoned, or by the death of the customer, the customer is not obligated to pay for service for the remainder of the minimum period.

If service is switched to a new customer at the same premises after the first month's service, the minimum period of service requirements are assigned to the new customer if the new customer agrees in writing to accept them. For facilities not taken over by the new customer, the original customer is responsible for the remaining payment for the minimum service period in accordance with the terms under which the service was originally furnished.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.4 PAYMENT FOR SERVICE RENDERED

2.4.1 Responsibility for All Charges

Any applicant for facilities or service may be required to sign an application form requesting the Company to furnish the facilities or service in accordance with the rates, charges, rules and regulations from time to time in force and effect. The customer is responsible for all local and toll calls originating from the customer's premises and for all calls charged to the customer's line where any person answering the customer's line agrees to accept such charge.

2.4.2 Deposits

[information will depend on individual State regulations]

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.4 PAYMENT FOR SERVICE RENDERED (cont'd)

2.4.3 Payment of Charges

Charges for facilities and service, other than usage charges, are due monthly in advance. All other charges are payable upon request of the Company. Bills are due on the due date shown on the bill and are payable at any business office of the Company, by U.S. Mail, or at any location designated by the Company. If objection is not received by the Company after the bill is rendered, the items and charges appearing thereon shall be determined to be correct and binding upon the customer. A bill will not be deemed correct and binding upon the customer if the Company or customer has records on the basis of which an objection may be considered or if the customer has in his or her possession such Company records. If objection results in a refund to the customer, such refund will be with interest at the greater of the unadjusted customer deposit rate or the applicable late payment rate, if any, for the service classification under which the customer was billed. Interest will be paid from the date when the customer overpayment was made, adjusted for any changes in the deposit rate or late payment rate. Compounded monthly, until the overpayment is refunded. Notwithstanding the foregoing, no interest will be paid by the Company on customer overpayments that are refunded within 30 days after the overpayment is received by the Company.

Where an objection to the bill involves a superseded service order, the items and charges appearing on the bill shall be deemed to be correct and binding upon the customer if objection is not received by the Company.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.4 PAYMENT FOR SERVICE RENDERED (cont'd)

2.4.4 Return Check Charge

When a check which has been presented to the Company by a customer as payment for charges is returned by the bank, the customer shall be responsible for the payment of a Returned Check Charge of \$15.00.

2.4.5 Late Payment Charges

- a. Customer bills for telephone service are due on the due date specified on the bill in accordance with _____ Rules. A customer is in default unless payment is made on or before the due date specified on the bill. If payment is not received by the customer's next billing date, a late payment charge of 1.5% will be applied to all amounts previously billed under this tariff, excluding one month's local service charge.
- b. Late payment charges do not apply to those portions (and only those portions) of unpaid balances that are associated with disputed amounts. Undisputed amounts on the same bill are subject to late payment charges if unpaid and carried forward to the next bill.
- c. Late payment charges do not apply to final accounts.
- d. Late payment charges do not apply to government agencies of the State of _____.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.4 PAYMENT FOR SERVICE RENDERED (cont'd)

2.4.6 Customer Overpayments

The Company will provide interest on customer overpayments that are not refunded within 30 days of the date the Company receives the overpayment. An overpayment is considered to have occurred when payment in excess of the correct charges for service is made because of erroneous Company billing. The customer will be issued reimbursement for the overpayment, plus interest, or, if agreed to by the customer, credit for the amount will be provided on the next regular Company bill.

2.5 INSTALLATION SERVICE

The Company provides a Half-Day Installation Plan, which offers customers half-day appointments (i.e., morning/afternoon or a rolling interval) for connection of _____ regulated service involving a customer premise visit.

2.6 ACCESS TO CUSTOMER'S PREMISES

The customer shall be responsible for making arrangements or obtaining permission for safe and reasonable access for Company employees or agents of the Company to enter the premises of the customer or any joint user or customer of the customer at any reasonable hour for the purpose of inspecting, repairing, installing, testing or removing any part of the Company's facilities.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.7 TAXES

All federal, state and local taxes, imposed on the customer, including the _____ Universal Service Fund Surcharge, fees, sales taxes and use taxes are billed as separate line items and are not included in the rates quoted in this tariff. All federal, state and local taxes, sales taxes, use taxes, assessments, surcharges, or fees imposed on the company are included in the rates quoted in this tariff.

2.8 SUSPENSION OR TERMINATION OF SERVICE

2.8.1 Suspension or Termination For Nonpayment

In the event of the nonpayment of any residence or business bill rendered, the Company may suspend and/or terminate service in accordance with the _____.

2.8.2 Exceptions to Suspension and Termination

Telephone service shall not be suspended or terminated for:

- a. Nonpayment of bills rendered for charges other than telephone service or deposits requested in connection with telephone service;
- b. Nonpayment for service for which a bill has not been rendered;
- c. Nonpayment for service which have not been rendered;
- d. Nonpayment of any billed charge which is in dispute during the period before a determination of the dispute is made by the Company in accordance with the _____ Rules.
- e. Nonpayment of back billed amounts.

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.8 SUSPENSION OR TERMINATION OF SERVICE (cont'd)

2.8.3 Verification of Nonpayment

Telephone service shall not be suspended or terminated for nonpayment of a bill rendered unless:

- a. The Company has verified, in a manner approved by the Public _____, that payment has not been received at any office of the Company or at any office of an authorized collection agent through the end of the period indicated in the notice, and
- b. The Company has checked the customer's account on the day that suspension or termination is to occur to determine whether payment has been applied to the customer's account as of the opening of business on that day.

2.8.4 Termination For Cause Other Than Nonpayment

a. General

The Company, after notice in writing to the customer and after having given the customer an appropriate opportunity to respond to such notice, may terminate service and sever the connections(s) from the customer's premises under the following conditions:

1. In the event of prohibited, unlawful or improper use of the facilities or service, or any other violation by the customer of the rules and regulations governing the facilities and service furnished, or;
2. If, in the judgment of the Company, any use of the facilities or service by the customer may adversely affect the Company's personnel, plant, property or service. The Company shall have the right to take immediate action, including termination of the service and severing of the connection, without notice to the customer when injury or damage to telephone personnel, plant, property or service is occurring, or is likely to occur, or;

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.8 SUSPENSION OR TERMINATION OF SERVICE (cont'd)

2.8.4 Termination For Cause Other Than Nonpayment (cont'd)

a. General (cont'd)

3. In the event of unauthorized use, where the customer fails to take reasonable steps to prevent the unauthorized use of the facilities or service received from the Company, or;
4. In the event that service is connected for a customer who is indebted to the Company for basic local service or facilities previously furnished, that service may be suspended by the Company within 8 days and terminated by the Company unless the customer satisfies the indebtedness within 20 days after written notification.

b. Prohibited, Unlawful or Improper Use of the Facilities or Service

Prohibited, unlawful or improper use of the facilities or service includes, but is not limited to:

1. The use of facilities or service of the Company without payment of tariff charges;
2. Calling or permitting others to call another person or persons so frequently or at such times of the day or in such manner as to harass, frighten, abuse or torment such other person or persons;
3. The use of profane or obscene language;
4. The use of service in such a manner such that it interferes with the service of other customers or prevents them from making or receiving calls;
5. The use of mechanical dialing device or recorded announcement equipment to seize a customer's line, thereby interfering with the customer's use of the service;

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.8 SUSPENSION OR TERMINATION OF SERVICE (cont'd)

2.8.4 Termination For Cause Other Than Nonpayment (cont'd)

b. Prohibited, Unlawful or Improper Use of the Facilities or Service (cont'd)

6. Permitting fraudulent use.

c. Abandonment or Unauthorized Use of Facilities

1. If it is determined that facilities have been abandoned, or are being used by unauthorized persons, or that the customer has failed to take reasonable steps to prevent unauthorized use, the Company may terminate telephone service.

2. In the event that telephone service is terminated for abandonment of facilities or unauthorized use and service is subsequently restored to the same customer at the same location:

a. No charge shall apply for the period during which service had been terminated, and

b. Reconnection charges will apply when service is restored. However, no charge shall be made for reconnection if the service was terminated due to an error on the part of the Company.

c. Change in the Company's Ability to Secure Access

Any change in the Company's ability (a) to secure and retain suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment or (b) to secure and retain suitable space for its plant and facilities in the building where service is provided to the customer may require termination of a customer's service until such time as new arrangements can be made. No charges will be assessed the customer while service is terminated, and no connection charges will apply when the service is restored.

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Section 2 - GENERAL RULES AND REGULATIONS (cont'd)

2.8 SUSPENSION OR TERMINATION OF SERVICE (cont'd)

2.8.5 Emergency Termination of Service

The Company will terminate the service of any customer, on request, when the customer has reasonable belief that the service is being used by an unauthorized person or persons. The Company may require that the request be submitted in writing as a follow-up to a request made by telephone.

2.9 ADDITIONAL PROVISIONS APPLICABLE TO BUSINESS CUSTOMERS

2.9.1 Application of Rates

- a. Business rates as described in Section 3 of this tariff and shown in Section 4 of this tariff apply to service furnished:
 1. In office buildings, stores, factories and all other places of a business nature;
 2. In hotels, apartment houses, clubs, and boarding and rooming houses except when service is within the customer's domestic establishment and no business listings are provided; colleges, hospitals, and other institutions; and in churches, except when service is provided to an individual of the clergy for personal use only and business service is already established for the church at the same location;
 3. At any location when the listing or public advertising indicates a business or a profession;
 4. At any location where the service includes an extension which is at a location where business rates apply unless the extension is restricted to incoming calls;
 5. At any location where the customer resells or shares exchange service.
- b. The use of business facilities and service is restricted to the customer, customers, agents and representatives of the customer, and joint users.

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Section 2 - GENERAL RULES AND REGULATIONS (cont'd)

2.9 ADDITIONAL PROVISIONS APPLICABLE TO BUSINESS CUSTOMERS (cont'd)

2.9.2 Telephone Number Changes

When a business customer requests a telephone number change, the referral period for the disconnected number is 180 days.

The Company reserves all rights to the telephone numbers assigned to any customer. The customer may order a Customized Number where facilities permit for an additional charge as specified in Section 4 of this Tariff.

When service in an existing location is continued for a new customer, the existing telephone number may be retained by the new customer only if the former customer consents in writing, and if all charges against the account are paid or assumed by the new customer.

2.9.3 Billing Disputes

For resolution of disputes, the Customer may contact the:

[State Commission Address and Phone Number]

2.9.4 Dishonored Checks

If a business customer who has received a notice of discontinuance pays the bill with a check that is subsequently dishonored, the account remains unpaid and the Company is not required to issue any additional notice before disconnecting service.

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Section 2 - GENERAL RULES AND REGULATIONS (cont'd)

2.10 ALLOWANCE FOR INTERRUPTIONS IN SERVICE

Interruptions in service, which are not due to the negligence of, or non-compliance with the provisions of this Tariff by the Customer, or the operation or malfunction of the facilities, power, or equipment provided by the Customer, will be credited to the Customer as set forth below for the part of the service that the interruption affects. A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this Tariff.

2.10.1 Credit for Interruptions

- a. An interruption period begins when the Customer reports a service, facility, or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility, or circuit is operative. If the Customer reports a service, facility, or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.
- b. For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.
- c. A credit allowance will be given, upon request of the customer to the business office, for interruptions of 30 minutes or more. Credit allowance will be calculated as follows:
 - i) if an interruption continues for less than 24 hours:
 - a) 1/30th of the monthly rate if it is the first interruption in the same billing period.
 - b) 2/30ths of the monthly rate if there was a previous interruption of at least 24 hours in the same billing period.
 - ii) if an interruption continues for more than 24 hours:
 - a) if caused by storm, fire, flood or other condition out of Company's control, 1/30th of the monthly rate for each 24 hours of interruption.

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Section 2 - GENERAL RULES AND REGULATIONS (cont'd)

2.10 ALLOWANCE FOR INTERRUPTION IN SERVICE (cont'd)

2.10.1 Credit for Interruption (cont'd)

- c. (Cont'd)
 - ii. (cont'd)
 - b) for other interruptions, 1/30 of the monthly rate for the first 24 hours and 2/30ths of such rate for each additional 24 hours (or fraction thereof); however, if service is interrupted for over 24 hours, more than once in the same billing period, the 2/30ths allowances applies to the first 24 hours of the second and subsequent interruptions.

Two or more interruptions of 15 minutes or more during any 24-hour period shall be considered as one interruption.

- d. Credit to Customer

Credits attributable to any billing period for interruptions of service shall not exceed the total charges for that period for the service and facilities furnished by the Company rendered useless or substantially impaired.

- e. "Interruption" Defined

For the purpose of applying this provision, the word "interruption" shall mean the inability to complete calls either incoming or outgoing or both due to equipment malfunction or human errors. "Interruption" does not include and no allowance shall be given for service difficulties such as slow dial tone, circuits busy or other network and /or switching capacity shortages. Nor shall the interruption allowance apply where service is interrupted by the negligence or willful act of the subscriber or where the Company, pursuant to the terms of the Tariff, suspends or terminates service because of nonpayment of bills due to the company, unlawful or improper use of the facilities or service, or any other reason covered by the Tariff. No allowance shall be made for interruptions due to electric power failure where, by the provisions of this Tariff, the customer is responsible for providing electric power. Allowance for interruptions of message rate service will not affect the customer's local call allowance during a given billing period.

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Section 2 - GENERAL RULES AND REGULATIONS (cont'd)

2.10 ALLOWANCES FOR INTERRUPTION IN SERVICE (cont'd)

2.10.2 Limitations on Credit Allowances

No credit allowance will be made for:

- a) interruptions due to the negligence of, or non-compliance with the provisions of this Tariff, by any party other than the Company, including but not limited to the customer, authorized user, or other common carriers connected to, or providing service connected to, the service of the Company or to the Company's facilities;
- b) interruptions due to the failure or malfunction of non-Company equipment, including service connected to customer provided electric power;
- c) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- d) interruptions of service during any period when the customer has released service to the Company for maintenance purposes or for implementation of a customer order for a change in service arrangements;
- e) interruptions of service due to circumstances or causes beyond the control of the Company.

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Section 2 - GENERAL RULES AND REGULATIONS (cont'd)

2.11 AUTOMATIC NUMBER IDENTIFICATION

2.11.1 Regulations

The Company will provide Automatic Number Identification (ANI) associated with an intrastate service, by Tariff, to any entity (ANI recipient), only under the following terms and conditions:

- a) The ANI recipient or its designated billing agent may use or transmit ANI information to third parties for billing and collection, routine, screening, ensuring network performance, and completion of a telephone subscriber's call or transaction, or for performing a service directly related to the telephone subscriber's call or transaction, or for performing a service directly related to the telephone subscriber's original call or transaction, or for performing a service directly related to the telephone subscriber's original call or transaction.
- b) The ANI recipient may offer to any telephone subscriber with whom the ANI recipient has an established customer relationship, a product or service that is directly related to products or service previously purchased by the telephone subscriber from the ANI recipient.
- c) The ANI recipient or its designated billing agent is prohibited from utilizing ANI information to establish marketing lists or to conduct outgoing marketing calls, except as permitted by the preceding paragraph, unless the ANI recipient obtains the prior written consent of the telephone subscriber permitting the use of ANI information for such purposes. The foregoing provisions notwithstanding, no ANI recipient or its designated billing agent may utilize ANI information if prohibited elsewhere by law.
- d) The ANI recipient or its designated billing agent is prohibited from reselling, or otherwise disclosing ANI information to any other third party for any use other than those listed in Provision 2.11.1a and b of this tariff, unless the ANI recipient obtains the prior written consent of the subscriber permitting such resale or disclosure.
- e) Violation of any of the foregoing terms and conditions by any ANI recipient other than a Telephone Corporation shall result, after a determination through the _____ complaint process, in suspension of the transmission of ANI by the Telephone

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Section 2 – GENERAL RULES AND REGULATIONS (cont'd)

2.11 AUTOMATIC NUMBER IDENTIFICATION (cont'd)

2.11.1 Regulations (cont'd)

e) (cont'd)

Corporation until such time as the _____ receives written confirmation from the ANI recipient that the violation have ceased or have been corrected. If the _____ determines that there have been three or more separate violations in a 24 month period, delivery of ANI to the offending party shall be terminated under terms and conditions determined by the _____.

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Section 3- DESCRIPTION OF SERVICES

3.1 CONNECTION CHARGE

3.1.1 General

The Connection Charge is a nonrecurring charge which applies to the ordering, installing, moving, changing, rearranging for furnishing telephone services and facilities. Any one or combination of all elements of the connection charges may apply, depending upon the customer's request.

The customer may request an estimate or a firm bid before ordering installation work to be done. When an estimate is provided, the estimate is not binding on the Company and the charge to be billed will be based on the actual time and materials charges incurred. When a firm bid is provided at customer request, the charge to be billed is the amount quoted to the customer for the work requested.

3.1.2 Exceptions to the Charge

- a. No charge applies for a change to a service for which a lower monthly rate applies, made within 90 days after any general rate increase, if a lower grade of service is offered in the customer's exchange.
- b. No charge applies for one change in the class of residence service, provided that the change is ordered within 90 days of the initial connection of the customer's exchange service.
- c. The Company may from time to time waive or reduce the charge as part of a promotion. See Section 5.1 of this tariff.

3.2 SERVICE ORDER CHARGE

A service Order Charge applies per customer order, for all work or services ordered to be provided at one time, on the same premises, for the same customer.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.3 RECORD ORDER CHARGE

A Record Order Charge applies for work performed by the Company in connection with receiving, recording and processing of customer requests when only changes in Company records are involved.

3.4 RESTORAL CHARGE

A restoral charge applies each time a service is reconnected after suspension or termination for nonpayment but before cancellation of service, as deemed in Section 2 of this Tariff.

3.5 MOVES, ADDS AND CHANGES

The Company alone may make changes in the location of its lines and equipment. When it is found that a move or change of such lines or equipment has been made by others, the Connection Charge for the underlying service will apply as if the work had been done by the Company.

The customer will be assessed a charge for any move, add or change of a Company service. Move, Add and Change are defined as follows:

- Move: The disconnection of existing equipment at one location and reconnection of the same equipment at a new location in the same building or in a different building on the same premises.
- Add: The addition of a vertical service to existing equipment and/or service at one location.
- Change: Changes - including rearrangement or reclassification - of existing service at the same location.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.6 CHARGES ASSOCIATED WITH PREMISES VISIT

3.6.1 Terms and Conditions

A Premises Visit Charge applies per customer order, for all work or services ordered to be provided at one time on the same premises, for the same customer. When more than one visit is required to complete the work as originally ordered, only one Premises Visit Charge applies. A Premises Visit Charge applies to each premises visited for the purpose of installation, removal, reconnection or changing of regulated facilities and to connect a line between different buildings on different premises, whether or not mileage charges are applicable to such lines.

3.6.2 Trouble Isolation Charge

When a visit to the customer's premises is necessary to isolate a problem reported to the Company but identified by the Company's technician as attributable to customer-provided equipment or inside wire, a separate charge applies in addition to all other charges for the visit.

3.7 CENTRAL OFFICE LINE CHARGE

A Central Office Line charge applies to arranging a line(s) to provide service between the central office and the customer's premises.

3.8 PRIMARY INTEREXCHANGE CARRIER CHANGE CHARGE

The customer will incur a charge each time there is a change in the long distance carrier associated with the customer's line after the initial installation of service.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.9 RESERVED FOR FUTURE USE

3.10 CUSTOM CALLING SERVICE

3.10.1 General

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability; features may not be available with all classes of service. Transmission levels may not be sufficient in all cases.

3.10.2 Description of Features

a. Three Way Calling/Call Hold

The Three Way Calling feature allows a customer to add a third party to an existing two-way call and form a 3-way call. The call must have been originated from outside the station group and terminate to a station within the station group. The Call Hold feature allows a customer to put any in-progress call on hold by flashing the switchhook and dialing a code. This frees the line to allow the customer to make an outgoing call to another number. Only one call per line can be on hold at a time. The third party cannot be added to the original call.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.10 CUSTOM CALLING SERVICE (cont'd)

3.10.2 Description of Features (cont'd)

b. Call Forwarding

Call Forwarding, when activated, redirects attempted terminating calls to another customer-specific line. The customer may have to activate and deactivate the forwarding function and specify the desired terminating telephone number during each activation procedures. Call originating ability is not affected by Call Forwarding. The calling party is billed for the call to the called number. If the forwarded leg of the call is chargeable, the customer with the Call Forwarding is billed for the forwarded leg of the call.

Call Forwarding - Busy automatically reroutes an incoming call to a customer predesignated number when the called number is busy.

Call Forwarding – Don't Answer automatically reroutes an incoming call to a customer predesignated number when the called number does not answer within the number of rings programmed by the Company.

Call Forwarding - Variable allows the customer to choose to reroute incoming calls to another specified telephone number. The customer must activate and deactivate this feature.

c. Call Waiting/Cancel Call Waiting

Call Waiting provides a tone signal to indicate to a customer already engaged in a telephone call that a second caller is attempting to dial in. It will also permit the customer to place the first call on hold, answer the second call and then alternate between both callers. Cancel Call Waiting (CCW) allows a Call Waiting (CW) customer to disable CW for the duration of an outgoing telephone call. CCW is activated (i.e., CW is disabled) by dialing a special code prior to placing a call, and is automatically deactivated when the customer disconnects from the call.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.10 CUSTOM CALLING SERVICE (cont'd)

3.10.2 Description of Features (cont'd)

d. Distinctive Ringing

This feature enables a user to determine the source of an incoming call from a distinctive ring. The user is provided with up to two additional telephone numbers.

e. Regular Multiline Hunting

This feature is a line hunting arrangement that provides sequential search of available numbers within a multiline group.

f. Speed Calling

This feature allows a user to dial selected numbers using one or two digits. Up to eight numbers (single digit, or thirty numbers with two digits) can be selected.

3.10.3 Rates and Charges

a. Monthly Rates

Rates for these services are located in Section 4.

b. Connection Charges

Connection charges may apply when a customer requests connection to one or more custom calling features. Orders requested for the same customer account made at the same time for the same premises will be considered one request. These charges may not apply if the features are ordered at the same time as other work for the same customer account at the same premises.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.10 CUSTOM CALLING SERVICE (cont'd)

3.10.3 Rates and Charges (cont'd)

c. Trial Period

The Company may elect to offer a free or reduced rate trial of any new custom calling feature(s) to prospective customers within 90 days of the establishment of the new feature. See Section 5.1 of this tariff.

3.11 CLASS SERVICES

3.11.1 General

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability; features may not be available with all classes of service. Transmission levels may not be sufficient in all cases.

3.11.2 Description of Features

a. Call ID

The Call ID feature allows a customer to see a caller's name and/or number previewed on a display screen before the call is answered allowing a customer to prioritize and or screen incoming calls. Call ID records the name, number, date and time of each incoming call - including calls that aren't answered by the customer. Call ID service requires the use of specialized CPE not provided by the company. It is the responsibility of the customer to provide the necessary CPE.

b. Automatic Redial

The Automatic Redial feature allows a customer to automatically redial the last number dialed. This is accomplished by the customer activating a code. The network periodically tests the busy/free status of the called line for up to 30 minutes until both lines are found free and then redials the call for the customer.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.11 CLASS SERVICES (cont'd)

3.11.2 Description of Features (cont'd)

b. Automatic Redial (cont'd)

The Automatic Redial feature also allows customers, having reached a busy number, to dial a code before hanging up. Automatic Redial feature then continues to try the busy number for up to 30 minutes until it becomes free. Once the busy line is free the call is automatically redialed and the customer is notified of the connected call vial a distinctive ring.

The following types of calls cannot be Automatically Redialed:

Calls to 800 Service numbers
Calls to 900 Service numbers
Calls preceded by an interexchange carrier access code
International Direct Distance Dialed calls
Calls to Directory Assistance
Calls to 911

c. Call Return

Call Return stores the number of the most recent incoming call (including unanswered incoming calls) to a customer's number. This allows a customer to dial back the last missed or unanswered telephone call.

d. Customer Originated Trace

Customer Originated Trace allows customers to key in a code that alerts the network to trace the last call received. The traced telephone number is automatically sent to the company for storage for a limited amount of time and is retrievable by legally constituted authorities upon proper request by them. By contacting the company the customer can use this application to combat nuisance calls.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.11 CLASS SERVICES (cont'd)

3.11.2 Description of Features (cont'd)

e. Anonymous Call Rejection

Anonymous Call Rejection allows a customer subscribing to Caller ID to reject calls automatically if the calling party is using call blocking.

f. Priority Call

Priority Call enables the customer to program their line to ring with a distinctive pattern when an incoming call has originated from a line that has been previously designated as a priority number.

g. Call ID Manager

Call ID Manager provides for an expanded form of Call ID which also allows a customer who is off hook on an existing call to receive Call ID information (number and/or name) for a new, incoming call, and to handle the new call by forwarding to a voice mail system, or by including a conference call, or by routing to a message announcement.

The customer must subscribe separately to Call Waiting in order to take full advantage of this service. Three-Way calling is optional, depending on the functionality that is required. The customer is required to purchase customer premises equipment that is capable of displaying Call Waiting information.

3.11.3 Rates and Charges

a. Monthly Rates

Rates for these services are located in Section 4.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.11 CLASS SERVICES (cont'd)

3.11.3 Rates and Charges (cont'd)

b. Connection Charges

Connection charges may apply when a customer requests connection to one or more features. Orders requested for the same customer account made at the same time for the same premises will be considered one request. These charges may not apply if the features are ordered at the same time as other work for the same customer account at the same premises.

c. Trial Period

The Company may elect to offer a free or reduced rate trial of any new CLASS feature(s) to prospective customers within 90 days of the establishment of the new feature. See 5.1, Service and Promotional Trials.

3.12 BUSY VERIFICATION AND INTERRUPT SERVICE

3.12.1 General

Upon request of a calling party, the Company will verify a busy condition on a called line. An operator will determine if the line is clear or in use and report to the calling party. In addition, the operator will intercept an existing call on the called line if the calling party indicates an emergency and requests interruption.

3.12.2 Rate Application

a. A Verification Charge will apply when:

1. The operator verifies that the line is busy with a call in progress, or
2. The operator verifies that the line is available for incoming calls.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.12 BUSY VERIFICATION AND INTERRUPT SERVICE (cont'd)

3.12.2 Rate Application (cont'd)

- b. Both a Verification Charge and an Interrupt Charge will apply when the operator verifies that a called number is busy with a call in progress and the customer requests interruption. The operator will interrupt the call advising the called party of the name of the calling party and the called party will determine whether to accept the interrupt call. Charges will apply whether or not the called party accepts the interruption.
- c. No charge will apply when the calling party advises that the call is from an official public emergency agency.

3.13 TRAP CIRCUIT SERVICE

3.13.1 General

Trap Circuit Service is designed to allow the customer to control the release of an incoming call so that in situations involving emergency or nuisance calls, calls may be held and traced.

3.13.2 Regulations

- a. This service is provided when there is a continuing requirement for the identification of the calling party in cases involving nuisance calls or emergency situations or other situations involving law enforcement or public safety.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.13 TRAP CIRCUIT SERVICE (cont'd)

3.13.2 Regulations (cont'd)

- b. The customer shall be required to sign a written request for this service. By signing the request the customer shall release the Company from any liability, and the customer agrees to indemnify and hold the Company harmless from any liability it may incur in providing this service. The Company may require the recommendation of an appropriate law enforcement agency prior to providing this service. Any information obtained by the Company in the tracing of a call will be provided only to the law enforcement agency designated. The only exception to this will be emergency situations such as fire, serious illness or other similar situations, in which case the appropriate agency will be notified.
- c. The equipment required to provide this service cannot be operated in all central offices. The service is restricted to locations where facilities permit.
- d. The Company makes no guarantee concerning the tracing and identification of any call when the service is provided. The Company will furnish the service only on the express condition that no liability shall attach to it for any reason arising out of the provision of the service.

3.13.3 Rates

Rates for this service are located in Section 4 of this tariff.

3.14 DIRECTORY ASSISTANCE SERVICE

3.14.1 General

A customer may obtain assistance, for a charge, in determining a telephone number by dialing Directory Assistance Service. A customer can also receive assistance by writing the Company with a list of names and addresses for which telephone numbers are desired.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.14 DIRECTORY ASSISTANCE SERVICE (cont'd)

3.14.2 Regulations

A Directory Assistance Charge applies for each telephone number, area code, and/or general information requested from the Directory Assistance operator except as follows:

- a. Calls from coin telephones, including COCOTS (payphones).
- b. Requests for telephone numbers of non-published service.
- c. Requests in which the Directory Assistance operator provides an incorrect number. The customer must inform the Company of the error in order to receive credit.
- d. Requests from individuals with certified visual or physical handicaps in which the handicap prevents the use of a local directory. Individuals must be certified in accordance with the terms outlined under "Handicapped Person" in Section 1 of this Tariff, up to a maximum of 50 requests per month.

3.14.3 Rates

Unless one of the exceptions listed above applies, the charges as shown in Section 4 of this tariff apply for each request made to the Directory Assistance operator.

3.15 LOCAL OPERATOR SERVICE

Local calls may be completed or billed with the live or mechanical assistance by the Company's operator center. Calls may be billed collect to the called party, to an authorized 3rd party number, to the originating line, or to a valid authorized calling card. Local calls may be placed on a station to station basis or to a specified party (see Person to Person), or designated alternate. Usage charges for local operator assisted calls are those usage charges that would normally apply to the calling party's service. In addition to usage charges, an operator assistance charge applies to each call.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.16 BLOCKING SERVICE

3.16.1 General

Blocking service is a feature that permits customers to restrict access from their telephone line to various discretionary services. The following blocking options are available:

- a. 900,700 Blocking - allows the subscriber to block all calls beginning with the 900 and 700 prefixes (i.e. 900-XXX-XXXX) from being placed.
- b. 900, 971, 974 & 700 Blocking- allows the subscriber to block all calls beginning with the 900,971, 974, and 700 prefixes from being placed.
- c. Third Number Billed and Collect Call Restriction - provides the subscriber with a method of denying all third number billed and collect calls to a specific telephone number provided the transmitting operator checks their validation data base.
- d. Toll Restriction (1+ and 0+ Blocking) - provides the subscriber with local dialing capabilities but blocks any customer-dialed call that has a long distance charge associated with it.
- e. Toll Restriction Plus - provides subscribers with Toll Restriction, as described in Section 3.16.d of this tariff, and blocking of 411 calls.
- f. Direct Inward Dialing Blocking (Third Party and Collect Call) - provides business customers who subscribe to DID service to have Third Party and Collect Call Blocking on the number ranges provided by the Company.

3.16.2 Regulations

- a. The Company will not be liable for any charge incurred when any long distance carrier or alternative operator service provider accepts third number billed or collect calls.
- b. Blocking Service is available where equipment and facilities permit.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.16 BLOCKING SERVICES (cont'd)

3.16.3 Rates and Charges

a. Recurring and Nonrecurring Charges

Rates for this service are located in Section 4 of this tariff. The rates and charges for Blocking Service are in addition to all other applicable rates and charges for the facilities furnished.

The nonrecurring charge for initial request of one and two-line business customers is waived for 90 days from the customer's service establishment date.

b. Pricing for Blocking Service for a business customer with more than 200 lines will be based on the cost incurred by Company to provide the service.

c. Connection charges apply as specified in Section 3.1 of this Tariff.

3.17 CUSTOMIZED NUMBER SERVICE

3.17.1 General

a. Customized Number Service allows a customer to order a specified telephone number rather than the next available number.

b. Customized Number Service is furnished subject to the availability of facilities and requested telephone numbers.

c. The Company will not be responsible for the manner in which Customized Numbers are used for marketing purposes by the customer.

d. When a new customer assumes an existing service which includes Customized Number Service, the new customer may keep the Customized Number, at the Tariffed rate, with the written consent of the Company and the former customer.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.17 CUSTOMIZED NUMBER SERVICE (cont'd)

3.17.1 General (cont'd)

- e. The Company reserves and retains the right:
 - 1. To reject any request for specialized telephone numbers and to refuse requests for specialized telephone numbers;
 - 2. Of custody and administration of all telephone numbers, and to prohibit the assignment of the use of a telephone number by or from any customer to another, except as otherwise provided in this Tariff;
 - 3. To assign or withdraw and reassign telephone numbers in any exchange area as it deems necessary or appropriate in the conduct of its business.
 - 4. The limitation of liability provisions of this Tariff in Section 2.2 are applicable to Customized Number Service.

3.17.2 Conditions

- a. Charges for Customized Number Service apply when a customer:
 - 1. Requests a telephone number other than the next available number from the assignment control list, and such requested number is placed into service within six months of the date of the request.
 - 2. Requests a number change from the customer's present number to a Customized Number.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.17 CUSTOMIZED NUMBER SERVICE (cont'd)

3.17.2 Conditions (cont'd)

- b. The Company shall not be liable to any customer for direct, indirect or consequential damages caused by a failure of service, change of number, or assignment of a requested number to another customer whether prior to or after the establishment of service. In no case shall the Company be liable to any person, firm or corporation for an amount greater than such person, firm or corporation has actually paid to the Company for Customized Number Service.

3.17.3 Rates

Rates for Customized Number Service are located in Section 4 of this tariff.

3.18 CUSTOMER REQUESTED SERVICE SUSPENSIONS

- 3.18.1 At the request of the customer the Company will suspend incoming and outgoing service on the customer's access line for a period of time not to exceed one year. The equipment is left in place and directory listings are continued during the suspension period without charge. At the customer's request the Company will provide the customer with an intercept recording referring callers to another number.
- 3.18.2 The company will assess a lower monthly rate for Customer Requested Service Suspension as noted in Section 4 of this tariff. However, any mileage charges, or monthly construction charges are still due, without reduction during the period of suspension.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.19 REMOTE CALL FORWARDING

3.19.1 General

Remote Call Forwarding (RCF) is a local exchange service that utilizes a directory number and local central office facilities to automatically forward all incoming calls to another directory number designated by the customer.

3.19.2 Regulations

- a. RCF service is offered only where facilities are available.
- b. RCF paths may be used singly, in groups, or as overflow paths for foreign exchange trunk groups. Only one forwarding number is permitted per group.
- c. All charges for the call to the customer designated number from the RCF central office shall be the responsibility of the customer.
- d. Identification of the originating telephone number is not provided.
- e. Transmission may not be satisfactory on all RCF calls.
- f. RCF is not represented as suitable for the transmission of data.
- g. RCF service cannot be terminated on a line equipped with call forwarding.
- h. The minimum service period for RCF service is three months.
- i. Each RCF group is entitled to one alphabetical and one classified listing at no additional charge in the directory which serves the RCF office. Overflow paths associated with foreign exchange trunk groups are not listed. All other listing regulations apply.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES

3.20.1 General

Business Network Switched Services provide business customers with a connection to the Company's switching network which enables the customer to:

- a) receive calls from other stations on the public switched telephone network;
- b) access the Company's local calling service;
- c) access the Company's local service;
- d) access the service of providers of interexchange service. A customer may presubscribe to such provider's service to originate calls on a direct dialed basis or to receive 800 service from such provider, or may access a provider on an ad hoc basis by dialing the provider's Carrier Identification Code (10-10-XXX).

Business Network Switched Services are provided via one or more channels terminated at the customer's premises. Each Business Network Switched Service channel corresponds to one or more analog, voice-grade telephonic communications channels that can be used to place or receive one call at a time.

Connection charges as described in Section 3 of this tariff, apply to all services on a one-time basis unless waived pursuant to this tariff.

3.20.2 Service Descriptions and Rates

The following Business Access Service Options are offered:

Basic Business Line Service
Business Key System Line Service
PBX Trunks

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES (cont'd)

3.20.2 Service Descriptions and Rates (cont'd)

Basic Business Line Service, Key System Line Service, PBX trunks are offered with flat rate or message rate local service.

All Business Network Switched Service may be connected to customer-provided terminal equipment such as station sets, key systems, PBX systems, or facsimile machines. Service may be arranged for two-way calling only or outward calling only.

3.20.2.1 Basic Business Line Service

a. General

Basic Business Line Service provides a customer with one or more analog, voice-grade telephonic communications channel(s) that can be used to place or receive one call at a time. Local calling service is available at a flat rate included in the line price, or on a usage basis. Basic Business Lines are provided for connection of customer-provided single-line terminal equipment such as station sets or facsimile machines.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES (cont'd)

3.20.2 Service Descriptions and Rates (cont'd)

3.20.2.1 Basic Business Line Service (cont'd)

a. General (cont'd)

Each Basic Business Line has the following characteristics:

Terminal Interface:	2-wire
Signaling Type:	Loop start
Pulse Types:	Dual Tone Multi frequency (DTMF)
Directionality:	Two-Way, In-Only, or Out-Only, at the option of the customer

b. Flat Rate Basic Business Line Service

1. Description

Service to points within the local calling area is included in the charge for Flat Rate Service. Local calling areas are as specified in Section 3.23 of this tariff.

2. Recurring and Nonrecurring Charges

Rates for this service are located in Section 4 of this tariff.

Connection charges apply as described in Section 3 of this tariff.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES (cont'd)

3.20.2 Service Descriptions and Rates (cont'd)

3.20.2.1 Basic Business Line Service (cont'd)

c. Message Rate Basic Business Line Service

1. Description

Calls to points within the local exchange area are charged on the basis of the number of completed calls originating from the customer's service in addition to a base monthly charge. Local calling areas are as specified in Section 3.23 of this tariff.

2. Recurring and Nonrecurring Charges

Charges for each Message Rate Service line include a monthly recurring Base Service Charge and usage charges for completed calls originated from the customer's line based on the duration of call during the billing period. Connection charges apply as described in Section 3 of this tariff.

Rates for this service are located in Section 4 of this tariff.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES (cont'd)

3.20.2.2 Business Key System Line Service

a. Description

Business Key System Line Service provides the customer with a single, analog, voice grade telephonic communications channel which can be used to place or receive one call at a time. The Business Key System Line is available as a message rates service. Business Key System Line Service is provided for connection of customer-provided key system terminal equipment. All key system lines will be equipped with touch tone and multiline hunt.

Calls to points within the local exchange area are charged on the basis of the number of completed calls originating from the customer's service in addition to a base monthly charge. Local calling areas are as specified in Section 3.23 of this tariff.

Each Business Key System Line has the following characteristics:

Terminal Interface: 2-wire

Signaling Type: Loop start

Pulse Types: Dual Tone Multifrequency (DTMF)

Directionality: Two-Way, In-Only, or Out-Only, at the option of the customer.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES (cont'd)

3.20.2 Service Descriptions and Rates (cont'd)

3.20.2.2 Business Key System Line Service (cont'd)

b. Recurring and Nonrecurring Charges

Rates for this service are located in Section 4 of this tariff.

Connection charges apply as described in Section 3 of this tariff.

Charges for each Message Rate Service line include a monthly recurring Base Service Charge and usage charges for completed calls originated from the customer's line based on the duration of calls during the billing period.

3.20.2.3 PBX Trunk Service

a. General

Analog PBX trunks are provided for connection of customer-provided PBX terminal equipment. Analog trunks are delivered on a DSO level and digital trunks are delivered at the DS1 level. All trunks are equipped with multiline hunting.

DID service allows callers to reach the called party without going through a PBX attendant. DOD service allows end users to dial outside of a PBX system without going through the PBX attendant to get access to an outside line. Digital trunks cannot be two-way trunks, but must be ordered as with either Direct Inward Dialing (DID) or Direct Outward Dialing (DOD). For DID configured PBX trunks additional charges apply for Direct Inward Dial Station numbers.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES (cont'd)

3.20.2 Service Descriptions and Rates (cont'd)

3.20.2.3 PBX Trunk Service (cont'd)

a. General (cont'd)

Each Analog Trunk has the following characteristics:

Terminal Interface: 2-wire or 4-wire, as required for the provision of service.

Signaling Type: Loop, Ground, E&M I, II, III

Pulse Type: Dual Tone Multi-Frequency (DTMF)

Directionality: In-Coming Only (DID), Out-Going Only (DOD), or Two - Way

b. Flat Rate Analog PBX Trunks

1. General

Service to points within the local calling area is included in the charge for Flat Rate Analog PBX Trunk Service. Local calling areas are as specified in Section 3.23 of this tariff.

2. Recurring and Nonrecurring Charges

In addition to the nonrecurring charges listed in Section 4 of this tariff, service order charges apply as described in Section 3 of this Tariff.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.20 BUSINESS NETWORK SWITCHED SERVICES (cont'd)

3.20.2 Service Descriptions and Rates (cont'd)

3.20.2.3 PBX Trunk Service (cont'd)

c. Message Rate Analog PBX Trunks

1. Description

Message Rate Analog PBX Trunks provide the customer with a single, analog, voice grade telephonic communications channel which can be used to place or receive one call at a time. Local calls on two-way trunks and DOD trunks are billed on a usage basis. DID trunks are arranged for one-way inward calling only.

2. Recurring and Nonrecurring Charges

Rates for this service are located in Section 4 of this tariff.

In addition to the nonrecurring charges listed below, connection charges apply as described in Section 3 of this Tariff. Charges for each Message Rate PBX Trunk include a monthly recurring Base Service Charge and usage charges for completed calls originated from the customer's lines based on the duration of calls during the billing period. Local calling areas are as specified in Section 3.23 of this tariff.

3. Usage Charges

Usage Rates for this service are located in Section 4 of this tariff.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.21 SPECIAL SERVICES AND PROGRAMS

3.21.1 Universal Emergency Telephone Number Service

Universal Emergency Telephone Number Service (911 Service) is an arrangement of Company central office and trunking facilities whereby any telephone user who dials the number 911 will reach the emergency report center for the telephone from which the number is dialed or will be routed to an operator if all lines to an emergency report center are busy. If no emergency report center customer exists for a central office entity, a telephone user who dials the number 911 will be routed to an operator. The telephone user who dials the 911 number will not be charged for the call.

3.21.2 Telecommunications Relay Service

3.21.2.1 General

The Company will provide access to a telephone relay center for Telecommunications Relay Service. The service permits telephone communications between hearing and/or speech impaired individuals who must use a Telecommunications Device for the Deaf (TDD) or a Teletypewriter (TTY) and individuals with normal hearing and speech. The Relay Service can be reached by dialing an 800 number. Specific 800 numbers have been designed for both impaired and non-impaired customers to use.

3.21.2.2 Regulations

- a. Only intrastate calls can be completed using the Telecommunications Relay Service under the terms and conditions of this Tariff.
- b. Charges for calls placed through the Relay Service will be billed as if direct distance dialed (DDD) from the point of origination to the point of termination. The actual routing of the call does not affect billing.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.21 SPECIAL SERVICES AND PROGRAMS (cont'd)

3.21.2 Telecommunications Relay Service (cont'd)

3.21.2.2 Regulations (cont'd)

- c. Calls through the Relay Service may be billed to a third number only if that number is within the State of _____. Calls may also be billed to calling cards issued by the Company or other carriers who may choose to participate in this service.
- d. The following calls may not be placed through the Relay Service:
 - 1. calls to informational recordings and group bridging service;
 - 2. calls to time or weather recorded messages;
 - 3. station sent paid calls from coin telephones; and
 - 4. operator-handled conference service and other teleconference calls.

3.21.2.3 Liability

The Company contracts with an outside provider for the provision of this service. The outside provider has complete control over the provision of the service except for the facilities provided directly by the Company. In addition to other provisions of this Tariff dealing with liability, in the absence of gross negligence or willful misconduct on the part of the Company, the Company shall not be liable for and the customer, by using the service, agrees to release, defend and hold harmless for all damages, whether direct, incidental or consequential, whether suffered, made, instituted or asserted by the customer or by any other person, for any loss or destruction of any property, whatsoever whether covered by the customer or others, or

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.21 SPECIAL SERVICES AND PROGRAMS (cont'd)

3.21.2 Telecommunications Relay Service (cont'd)

3.21.2.3 Liability (cont'd)

for any personal injury to or death of, any person. Notwithstanding any provision to the contrary, in no event shall the Company be liable for any special, incidental, consequential, exemplary or punitive damages of any nature whatsoever.

3.22 SPECIAL ARRANGEMENTS

3.22.1 Special Construction

3.22.1.1 Basis for Charges

Basis for Charges where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's Tariffs, charges will be based on the costs incurred by the Company (including return) and may include:

1. nonrecurring charges;
2. recurring charges;
3. termination liabilities; or
4. combinations of (1), (2), and (3).

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.22 SPECIAL ARRANGEMENTS (cont'd)

3.22.1 Special Construction (cont'd)

3.22.1.2 Basis for Cost Computation

The costs referred to in Section 3.22.1.1 of this tariff, preceding may include one or more of the following items to the extent they are applicable:

- a. Costs to install the facilities to be provided including estimated costs for the rearrangements of existing facilities. These costs include:
 - 1. equipment and materials provided or used;
 - 2. engineering, labor, and supervision;
 - 3. transportation; and
 - 4. rights of way and/or any required easements.
- b. Cost of maintenance.
- c. Depreciation on the estimated cost installed of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage.
- d. Administration, taxes, and uncollectible revenue on the basis of reasonable average cost for these items.
- e. License preparation, processing, and related fees.
- f. Tariff preparation, processing and related fees.
- g. Any other identifiable costs related to the facilities provided;
or
- h. An amount for return and contingencies.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.22 SPECIAL ARRANGEMENTS (cont'd)

3.22.1 Special Construction (cont'd)

3.22.1.3 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of a customer.

- a. The period on which the termination liability is based is the estimated service life of the facilities provided.
- b. The amount of the maximum termination liability is equal to the estimated amounts (including return) for:
 1. Costs to install the facilities to be provided including estimated costs for the rearrangements of existing facilities. These costs include:
 - a) equipment and materials provided or used;
 - b) engineering, labor, and supervision;
 - c) transportation; and
 - d) rights of way and/or any required easements;
 2. license preparation, processing, and related fees;
 3. Tariff preparation, processing and related fees;
 4. cost of removal and restoration, where appropriate; and
 5. any other identifiable costs related to the specially constructed or rearranged facilities.

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.22 SPECIAL ARRANGEMENTS (cont'd)

3.22.1 Special Construction (cont'd)

3.22.1.3 Termination Liability (cont'd)

- c. The termination liability method for calculation of the unpaid balance of a term obligation is obtained by multiplying the sum of the amounts determined as set forth in Section 3.22.1.3.b. of this tariff, by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount determined in Section 3.22.1.3.b. of this tariff, shall be adjusted to reflect the redetermined estimated net salvage, including any reuse of the facilities provided. This amount shall be adjusted to reflect applicable taxes.

3.22.2 Non-Routine Installation and/or Maintenance

At the customer's request, installation and/or maintenance may be performed outside the Company's regular business hours, or (in the Company's sole discretion and subject to any conditions it may impose) in hazardous locations. In such cases, charges based on the cost of labor, material, and other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

3.22.3 Individual Case Basis (ICB) Arrangements

Rates for ICB arrangements will be developed on a case-by-case basis in response to a bona fide request from a customer or prospective customer for service which vary from Tariffed arrangements. Rates quoted in response to such requests may be different for Tariffed service than those specified for such service in Section 4 of this tariff. ICB rates will be offered to customers in writing and will be made available to similarly situated customers. A summary of each ICB contract pricing arrangement offered pursuant to this paragraph will be filed as a special contract within 30 days after the contract is signed by both the Company and the customer. The following information will be included

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Section 3 – DESCRIPTION OF SERVICES (cont'd)

3.22 SPECIAL ARRANGEMENTS (cont'd)

3.22.3 Individual Case Basis (ICB) Arrangements (cont'd)

in the summary:

- 1) LATA and type of switch
- 2) The V&H distance from the central office to the customer's premises
- 3) Service description
- 4) Rates and charges
- 5) Quantity of circuits
- 6) Length of the agreement.

3.23 SERVICE AREAS

3.23.1 General

The Company offers Local Exchange Service within _____ Telephone Company Territories and concurs in their filed exchange areas and exchange maps.

3.23.2 Rates

Rates for services offered in this Tariff are located in Section 4 of this tariff.

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Section 4 – RATES AND CHARGES

4.1 NON-RECURRING CHARGES

4.1.1 Access Line Installation (Connection Charge)

Per Line \$

4.1.2 Telephone Number Change

Per Request \$

4.1.3 Change of Grade or Class of Service

Per Line \$

4.1.4 Installation Date Change

Per Line \$

4.1.5 Transfer of Service to Another Name

Per Account \$

4.1.6 Line Change Charge

Per Line or Listing \$

4.1.7 Restoral Charge

Per Account (For Temporary Suspension) \$

Per Account (For Non-Payment Disconnection) \$

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Section 4 – RATES AND CHARGES (cont'd)

4.2 BUSINESS NETWORK SWITCHED SERVICES

4.2.1 Flat Rate Service

Per Line \$

4.2.2 Message Rate Service

Per Line \$

a. Usage Rate – Per Minute

Peak \$

Off-Peak \$

b. Peak/Off-Peak Time Periods

<u>Rate Period</u>	<u>Time</u>
Peak	9:00am – 9:00pm
Off-Peak	9:00pm – 9:00am
Saturday – Off Peak	All Day
Sunday – Off Peak	All Day
Holidays* – Off Peak	All Day

*Holidays Included: New Years Day, Independence Day, Labor Day, Thanksgiving, Christmas Day.

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Section 4 – RATES AND CHARGES (cont'd)

4.3 SUPPLEMENTAL SERVICES (cont'd)

4.3.1 Custom Calling Features

Call Waiting	\$
Call Forwarding Variable	\$
Call Forwarding Busy	\$
Call Forwarding Don't Answer	\$
Call Forwarding Busy/Don't Answer	\$
Three-Way Calling	\$
Three-Way Calling, per use	\$
Three-Way Calling Usage Cap	\$
Speed Dialing – 8 Numbers	\$
Speed Dialing – 30 Numbers	\$
Distinctive Ringing 1 additional number	\$
Distinctive Ringing 2 additional numbers	\$

4.3.2 CLASS Services

Repeat Dialing, per month	\$
Repeat Dialing, per activation	\$
Caller ID	\$
Caller ID on Call Waiting	\$
Caller ID with Name	\$
Caller ID with Name on Call Waiting	\$
Call Return, per month	\$
Call Return, per activation	\$
Repeat Dialing and Call Return, per month	\$

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Section 4 – RATES AND CHARGES (cont'd)

4.3 SUPPLEMENTAL SERVICES (cont'd)

4.3.2 CLASS Services (cont'd)

Monthly Cap for Call Return and Repeat Dialing	\$
Call Trace, per call	\$
Call Trace Preparation Charge	\$
Call ID Manager	\$
Call ID Manager with Name	\$
Anonymous Call Rejection	\$

4.3.3 Other Services

Multiline Hunting Arrangement	\$
Customized Number Service	\$
Remote Call Forwarding Service	\$

4.4 DIRECTORY SERVICES

4.4.1 Directory Listings

Additional Listings	\$
Non-Published Listing, per month, per line	\$
Non-Listed, per listing	\$

4.4.2 Directory Assistance

Directory Assistance Allowance, number or calls per month	
Directory Assistance, per call in excess of allowance	\$
Directory Assistance Call Completion, per call	\$

4.4.3 Operator Assistance

Directory Assistance via local or toll operator, per call	\$
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Section 5 - PROMOTIONS

5.1 SERVICE AND PROMOTIONAL TRIALS

5.1.1 General

The Company may establish temporary promotional programs as approved by the _____, wherein it may waive or reduce nonrecurring or recurring charges, to introduce a present or potential customer to a service not previously subscribed to by the customer.

5.1.2 Regulations

- a. Appropriate notification of the Trial will be made to all eligible customers and to the _____ for approval. Appropriate notification may include direct mail, bill inserts, broadcast or print media, direct contact or other comparable means of notification.
- b. During a Service Trial, the service(s) is provided automatically to all eligible customers, except those customers who choose not to participate. Customers will be offered the opportunity to decline the trial service both in advance and during the trial. A customer can request that the designated service be removed at any time during the trial and not be billed a recurring charge for the period that the feature was in place. At the end of the trial, customers that do not contact the Company to indicate they wish to retain the service will be disconnected from the service at no charge.
- c. During a Promotional Trial, the service is provided to all eligible customers who ask to participate. Customers will be notified in advance of the opportunity to receive the service in the trial for free. A customer can request that the service be removed at any time during the trial and not be billed a recurring charge for the period that the service was in place. At the end of the trial, customers that do not contact the Company will be disconnected from the service.
- d. Customers can subscribe to any service listed as part of a Promotional Trial and not be billed the normal Connection Charge. The offering of this trial period option is limited in that a service may be tried only once per customer, per premises.

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Section 5 – PROMOTIONS (cont'd)

5.1 SERVICE AND PROMOTIONAL TRIALS (cont'd)

5.1.2 Regulations (cont'd)

- e. The Company retains the right to limit the size and scope of a Promotional Trial.

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ATTACHMENT 7

Schedule 2

TITLE SHEET

REGULATIONS AND SCHEDULE OF CHARGES

APPLICABLE TO INTRASTATE INTEREXCHANGE SWITCHED SERVICES

FURNISHED BY

FAIRPOINT COMMUNICATIONS SOLUTIONS CORP.

ILLUSTRATIVE TARIFF

This tariff contains the rates, terms, and conditions applicable to the furnishing of service and facilities for intrastate interexchange telecommunications services provided by FairPoint Communications Solutions Corp., with principle offices at 6324 Fairview Road, Suite 400, Charlotte, NC 28210. This tariff applies for services furnished within the state of North Dakota. This tariff is on file with the North Dakota Public Utilities Commission and copies may be inspected during normal business hours, at the Company's principal place of business.

The services described in this tariff may be provided by any means of wire, terrestrial communications systems, satellite, microwave, and other transmission systems, or any combination thereof.

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CHECK SHEET

The Pages listed below are inclusive of this Price List and are effective as of the date shown at the bottom of the respective pages. Original and revised pages, as named below, comprise all changes from the original Tariff and are currently in effect as of the date shown on the bottom of this page.

<u>Page</u>	<u>Revision</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
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12	Original
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TARIFF FORMAT

1. **Page Numbering** - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 8 and 9 would be 8.1.
2. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the _____. For example, the 3rd revised Page 8 cancels the 2nd revised Page 8.
3. **Paragraph Numbering Sequences** - There are nine levels of paragraph coding. Each level of coding is subservient to the next higher level.
 - 2.
 - 2.1
 - 2.1.1
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a).1.
 - 2.1.1.A.1.(a).1.(i)
 - 2.1.1.A.1.(a).1.(i)(1).
4. **Check Sheets** – When a tariff filing is made with the _____, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbol used on this page if these are the only changes made to it (i.e., the format, etc. remain the same, just revised revision level on some pages). The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the _____.

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EXPLANATION OF SYMBOLS

Changes to this tariff shall be identified on the revised page(s) through the use of symbols. The following are the only symbols used for the purposes indicated below:

- (C) - Indicates Changed Regulation
- (D) - Indicates Discontinued or Deleted Rate or Regulation
- (I) - Indicates Rate Increase
- (M) - Indicates Move in Location of Text
- (N) - Indicates New Rate or Regulation
- (R) - Indicates Rate Reduction
- (T) - Indicates Change of Text Only

1. DEFINITIONS

Answer Supervision: An electrical signal fed back up the line by the LEC at the distant end of a long distance call to indicate positively that the call has been answered.

Application for Service: A standard order form which includes all pertinent billing, technical, and other descriptive information which will enable the Company to provide the communication service as required.

Authorization Code: An identification number, usually an eight (8) to twelve (12) digit number, that identifies the user as a customer.

Authorized User: A person, firm, corporation or legal entity which is authorized by the Customer to be connected to the service of the Customer. Authorized User(s) must be named in the Application for Service.

Automatic Numbering Identification (ANI): A type of signaling provided by a local exchange carrier which automatically identifies through a seven (7) or ten (10) digit number assigned to the Customer, the local exchange line from which a call originates.

Billing Period: The interval between Customer invoice to Customer invoice which shall consist of thirty (30) days.

Business Service: "Business Service" refers to telecommunications service provided to the Customer for use primarily or substantially for a business, professional, institutional or other occupational purpose.

Calling Card Call: A call for which charges are billed, not to the originating telephone number, but to a telephone calling card issued by a local exchange carrier or long distance telephone company, for this purpose.

Cancellation of Order: A Customer-initiated request to discontinue processing a service order, either in part or in entirety, prior to its completion.

Company: The term "Company" denotes FairPoint Communications Solutions Corp.

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1. DEFINITIONS (continued)

Customer: The term “Customer” denotes the person who or the firm or corporation that orders, cancels or amends Service, is responsible for the payment of charges, and is responsible for compliance with the Company’s regulations and this tariff.

Customer Dialed Calling Card Call: A Calling Card Call which does not require the intervention of an operator.

Customer-Provided Equipment: All equipment and facilities provided by the Customer and/or Authorized User, other than those provided by the Company.

Dedicated Access Line or Service: The generic term for a service in which the Customer’s traffic passes over an access line connecting the Customer’s premises to a Company switch, the line which is used solely for that Customer’s traffic.

Direct Dial Call: A call for which charges are billed to the originating telephone number.

Disconnection: The disconnection of a circuit, dedicated access line or port connection being used for existing service.

Domestic Message Telecommunications Service: Denotes the furnishing of station-to-station direct dial domestic switched network services to the Customer for the completion of long distance voice and dial up low speed data transmissions over voice grade channels from the Customer’s premises to other domestic points as specified herein.

FCC: Federal Communications Commission.

Interexchange Carrier (IXC): A long distance telecommunications carrier.

Local Exchange Carrier (LEC): A company which provides telecommunications service within a Local Exchange Area.

Normal Business Hours: Normal business hours are the period between 9:00 AM and 5:00 PM, Eastern Time Zone, Monday through Friday, excluding Holidays.

Point(s) of Presence: Location(s) where the Company maintains, through its own facilities or through arrangements with other carriers, an operations center for purposes of providing long distance service.

1. DEFINITIONS (continued)

Premises: Denotes a building or buildings on contiguous property (except railroad right-of-way-, etc) not separated by a public road.

Residential Service: Denotes telecommunications service provided to a Customer where the business use, if any, is merely incidental and where the major use is of a social or a domestic nature.

Service: "Service" means any or all service(s) provided pursuant to this tariff.

Service Points: Those locations from which the Company makes Service available to Customers.

Station: Any location from which a message can be originated or received (terminated).

Telecommunications: The transmission of voice communications or, subject to the transmission capabilities of the service, the transmission of data, facsimile, signaling, metering, or any other form of intelligence over dedicated or switched facilities.

Usage Charge: A usage charge assessed based on minutes of use to calculate the charges due for a completed call. Additional surcharges may also apply as stated in this tariff.

2. RULES AND REGULATIONS

2.1 Application of Tariff

This tariff contains the intrastate regulations and rates applicable to the provision of Intrastate Long Distance Message Telecommunications Service (ILDMTS) by FairPoint Communications Solutions Corporation (hereinafter referred to as the Company) within the State of _____, as specified herein.

The Company's Service is furnished subject to transmission, atmospheric and like conditions. Service is offered pursuant to rates, terms and conditions set forth in this tariff. Service is offered via the company's facilities in combination with resold services provided by other certified carriers.

The rates, rules and regulations contained herein are subject to change pursuant to the rules and regulations of the _____ ("_____").

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2. RULES AND REGULATIONS (continued)

2.2 Undertaking of the Company

Scope

2.2.1 The Company undertakes to provide telecommunications Services in accordance with the terms and conditions set forth in this tariff.

2.2.2 Shortage of Facilities

The Company's Service is subject to availability of suitable facilities. The company may limit the length of communications or to discontinue furnishing Service in accordance with _____, when necessary because of lack of satellite or other transmission medium capacity or because of any force majeure condition.

2.2.3 Liability of the Company

- A. The Company's liability for damages arising out of any failure of service shall not exceed an amount equivalent to the proportionate charge to the Customer for the period during which the faults in transmission occur.
- B. The Company is not liable for any act or omission of any entity, other than employees or agents of the Company, furnishing facilities or services connected with or provided in conjunction with the Company's services.
- C. The Company may discontinue furnishing Service to the Customer when necessitated by conditions beyond its control, upon notice in accordance with _____ rules.

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2. RULES AND REGULATIONS (continued)

2.2 Undertaking of the Company (continued)

2.2.4 Provision of Equipment and Facilities

- A. Except as otherwise indicated, Customer-provided station equipment at the Customer's premises for use in connection with this Service shall be so constructed, maintained and operated as to work satisfactorily with the Company's Service.

- B. The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided communications equipment. Where such equipment is used in connection with the Company's Service furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of Service under this tariff and to the maintenance and operation of such Service in the proper manner. Subject to this responsibility, the Company shall not be responsible for:
 - (1) the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission; or
 - (2) the reception of signals by Customer-provided equipment.

2. RULES AND REGULATIONS (continued)

2.3 Use of Service

The Company's Service may be used to transmit communications of the Customer in a manner consistent with the terms of this tariff and the policies and regulations of the _____ Public _____.

- A. The Service is provided for use by the Customer and may be used by others, when so authorized by the customer, providing that all such usage shall be subject to the provisions of this tariff.
- B. The Service is furnished subject to the condition that it will not be used for an unlawful purpose, and there will be no abuse or fraudulent use of the Service. Abuse or fraudulent use of the service includes, but is not limited to;
1. The use of the Service of the Company to transmit a message or to locate a person or otherwise to give or obtain information without payment of the charge applicable to the Service.
 2. The obtaining, or attempting to obtain, or assisting another to obtain or attempt to obtain, Long Distance Message Telecommunications Service by rearranging, tampering with or making connection with any service components of the Company or by any trick, scheme, false representation or false credit device, or by or through any other fraudulent means or device whatsoever with intent to avoid payment, in whole or in part, of the regular charge for such Service.
 3. The use of the Service of the Company for a call or calls, anonymous or otherwise, if in a manner reasonably to be expected to frighten, abuse, torment or harass another.
 4. The use of profane or obscene language.
 5. The use of the Service in such a manner as to interfere unreasonably with the use of the Service by one or more other Customers, or harm the facilities of the Company or others.

2. RULES AND REGULATIONS (continued)

2.3 Use of Service (continued)

- C. In the event the Company determines, in its sole judgement, that there is fraudulent use of either the Services furnished by the Company or the Company's network, the Company will, without notice to the Customer or liability to the Company, discontinue Service and/or seek legal recourse to recover from the Customer all costs involved in enforcement of this provision as ordered by the court.

2.4 Discontinuation of Service

- 2.4.1. The Company may discontinue the service under the following circumstances, provided suitable notice in accordance with _____ Rules has been given to the customer, as required.
 - A. Non-payment of any sum due to the Company for service for more than thirty (30) days beyond the date of rendition of the bill for such services; or
 - B. A violation of or failure to comply with any regulation governing the furnishing of service; or
 - C. An order of a court or other government authority having jurisdiction which prohibits the Company from furnishing service; or
 - D. Material misrepresentation of identity in obtaining service or the use of service in a manner that in the opinion of the company constitutes fraud or abuse.

2.5 Obligations of the Customer

- 2.5.1 The Customer shall be responsible for damages to the Company's facilities caused by the act or omission of the Customer, its authorized users, officers, directors, employees, agents, contractors, licensees or invitees or any person or entity who gains access to the Service of the Customer through the negligence of the Customer.

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2. RULES AND REGULATIONS (continued)

2.5 Obligations of the Customer (continued)

- 2.5.2 The Customer shall provide access to the Customer's or Authorized User's premises by Company personnel for inspection, repair and/or removal of any facilities of the Company on a time mutually agreeable between the Customer and the Company.
- 2.5.3 The Customer will guarantee the compliance by the Customer's Authorized User(s) with all provisions of this tariff and contractual obligations between the Customer and the Company. The Customer will be liable for the acts or omissions of its Authorized User(s) relative to compliance with the provisions of this tariff.
- 2.5.4 The Customer may not assign or transfer to a third party, whether by operation of law or otherwise, the right to use the Service provided under this tariff, provided however, that, where there is no interruption or relocation of use, such assignment or transfer may be made to the following:
- A. Another Customer of the Company, provided that the assignee or transferee assumes all accrued and unpaid obligations of the transferring Customer including, but not limited to, all indebtedness for such Service, and the unexpired portion of the minimum period and the termination liability applicable to such Service, if any; or
 - B. A court-appointed receiver, trustee or other person acting pursuant to the laws of bankruptcy, receivership, reorganization, insolvency, liquidation or other similar proceedings, provided that the assignee or transferee assumes all accrued and unpaid obligations of the transferring Customer, but not limited to, all indebtedness for such Service, and the unexpired portion of the minimum period and the termination liability applicable to such Service, if any.
- 2.5.5 If the Customer wishes to assign or transfer the right to use the Service provided under this tariff, written consent of the Company is required prior to such assignment or transfer, which consent may be granted or withheld at the sole discretion of the Company. All regulations and conditions contained in this tariff shall apply to such assignee or transferee.

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2. RULES AND REGULATIONS (continued)

2.5 Obligations of the Customer (continued)

- 2.5.6 The assignment or transfer of Service does not relieve or discharge the assignor or transferor from remaining jointly and severally liable with the assignee or transferee for any obligations existing at the time of the assignment or transfer.
- 2.5.7 With respect to the Company's 800/888/877 Service, the Customer must obtain an adequate number of access lines for service to handle its expected demand in order to prevent interference or impairment of the Service or any other Service provided by the Company. The Company will have the right to determine such adequacy giving due consideration to (1) the total call volume, (2) average call duration, (3) time-of-day characteristics, and (4) peak calling period. The Company, without incurring liability and may, upon written notice to the Customer, may disconnect or refuse to furnish Service to any Customer that fails to comply with these conditions.
- 2.5.8 Any mistakes, omissions, accidents, interruptions, delays, errors or defects in Transmission or Service which are caused or contributed to, directly or indirectly, by an act or omission of the Customer, by others through the use of facilities or equipment furnished by any other person using the Customer's facilities shall not result in any liability to the Company. The Customer shall pay to the Company any reasonable costs, expenses, damages, fees or penalties incurred by the Company as a result thereof, as ordered by the Court.

2.6 Billing and Payment Regulations

- 2.6.1 Service shall be provided and billed for on a monthly basis. Service shall continue to be provided until the Company's receipt of an oral or written request from the Customer for the disconnection of the Service, unless other restrictions apply. Payment is to be made to the address designated on the invoice or such other location as the Company may direct in writing from time to time. In addition to charges for the Company's Service, the Customer shall pay any applicable Federal, state or local use, excise, sales or privileges taxes or assessments, resulting from the Services furnished by the Company. Such taxes or assessments shall not be counted toward the attainment of any volume or revenue commitment and will not be discounted.

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2. RULES AND REGULATIONS (continued)

2.6 Billing and Payment Regulations (continued)

- 2.6.2 The Customer is responsible for payment of all charges for Service furnished by the Company. This includes payment for calls or Service:
- A. Originated at the Customer's number(s) whether authorized or not;
 - B. Accepted at the Customer's number(s) (e.g. 800/888/877 Service);
 - C. Billed to the Customer's number via third number billing, a calling card, a Company-assigned Authorization Code, or other special billing number; or
 - D. Incurred at the request of the Customer.
- 2.6.3 The Customer's responsibility for payment of all charges for Service furnished by the Company is not changed by virtue of any use, misuse, or abuse of the Customer's Service or Customer-provided systems, equipment, facilities or Services interconnected to the Customer's 800/888/877 Service, which may be occasioned by third parties, including, without limitation, the Customer's employees, guests and/or members of the public who dial the Customer's 800/888/877 number by mistake.
- 2.6.4 In instances of a dispute, the Customer is required to pay the undisputed portion of the invoice in its entirety. Undisputed amounts not paid within thirty (30) days from the due date stated on the invoice will be considered delinquent. A Late Payment Charge will be charged at the rate of 1.5% per month and will be charged to customer accounts with an unpaid balance 30 or more days past due to compensate the Company for the additional administrative expense associated with these accounts.

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2. RULES AND REGULATIONS (continued)

2.6 Billing and Payment Regulations (continued)

- 2.6.5 The Company may require applicants or Customers to provide information pertaining to their financial ability to pay for Service in accordance with _____ Rule _____ and the Fair Credit Reporting Act. Upon application for Service, Customer shall be deemed to have authorized the Company to obtain such routine credit information and verification as the Company shall require in accordance with its then-existing credit policies.
- A. At the time an application for service is made, an applicant may be required to pay an amount equal to at least one month's service and/or service connection charges, which will be applicable to the customer's account on the first bill rendered.
- 2.6.6 In the event that a check or draft tendered by a customer is returned, a fee of \$15.00 will apply. The fee will be assessed when a check or instrument issued by a Customer is returned without payment for any reason whatsoever, unless the return is bank error, in which case documentary evidence is required to waive the fee.
- 2.6.7 All federal, state and local taxes, imposed on the customer, including the _____ Universal Service Fund Surcharge, fees, sales taxes, and use taxes are billed as separate line items and are not included in the rates quoted in this tariff. All federal, state and local taxes, sales taxes, use taxes, assessments, surcharges, or fees imposed on the company are included in the rates quoted in this tariff.
- 2.6.8 If a customer seeks to have the Company reinstitute Service, the customer shall pay to the Company prior to the time Service is reinstated all accrued and unpaid charges, as determined by the Company, in accordance with _____ Rules.
- 2.6.9 The Company reserves the right, under federal law, to backbill for a period of up to three (3) months for an amount equal to the accrued and unpaid charges for use of the Company's Service actually made by Customer.

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2. RULES AND REGULATIONS (continued)

2.6 Billing and Payment Regulations (continued)

2.6.10 Customers billed by a Local Exchange Carrier (LEC), Competitive Local Exchange Carrier (CLEC), or other local exchange telephone company, on behalf of the Company, are responsible for any late payment charges imposed by the Local Exchange Carrier, Competitive Local Exchange Carrier, or local exchange telephone company.

2.6.11 Customers have the right to refer billing disputes and any other complaints to :

Customer Service
FairPoint Communications Solutions Corp.
99 Troy Road, Suite 100
East Greenbush, NY 12061
Toll Free: 1-888-235-3242 / Fax: 1-877-802-3772

2.6.12 For resolution of disputes, the Customer may contact the:

[State Commission Address and Phone Number]

2.7 Credit Allowances

2.7.1 Interruption of Service

A Credit for failure of Service will be allowed only when such failure is caused by or occurs in facilities provided by the Company. As used in this tariff, all facilities and/or Service for which the Company renders an invoice for payment are considered provided by the Company whether or not the facilities and/or Service are owned and operated by the Company unless otherwise provided by the terms of this tariff.

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2. RULES AND REGULATIONS (continued)

2.7 Credit Allowances (continued)

2.7.1 Interruption of Service (continued)

- B. No credit will be allowed for failure of Service or equipment due to Customer-provided facilities or any act or omission of the Customer, its Authorized User(s), officers, directors, employees, agents, contractors, licensees or invitees or any person or entity who gains access to the Service of the Customer through the negligence of the Customer.
- C. Credit allowance time for failure of Service starts when the Customer notifies the Company of the failure or when the Company has actual knowledge of the failure, and ceases when the Service has been restored and an attempt has been made to notify the Customer.
- D. Only those portions of the Service materially interfered with will be credited.
- E. The Customer shall notify the Company of failures of Service and make reasonable attempts to ascertain whether the failure is caused by Customer-provided equipment.

2.7.2 Limitation of Allowances

No credit allowances will be made for:

- A. Interruptions due to the negligence of, or noncompliance with the provisions of this tariff by the Customer, Authorized User or other common carrier providing service connected to the Service of the Company.
- B. Interruptions of Service due to the failure or malfunction of facilities, power or equipment provided by the Customer, authorized user, or other common carrier providing service connected to the Service offered by the Company.

2. RULES AND REGULATIONS (continued)

2.7 Credit Allowances (continued)

2.7.2 Limitation Allowances (continued)

- C. Interruptions of Service during any period in which the Company is not given access to the premises at which the Company-provided Service is interrupted or terminated.
- D. Interruptions of Service that occur or continue due to the Customer's failure to authorize replacement of any element of special construction.
- E. Interruptions of Service during any period when the Customer or Authorized User has relinquished Service to the Company for maintenance purposes or for implementation of a Customer order for a change in Service.

2.8 Equipment

- 2.8.1 The Customer shall assume all responsibility for obtaining all necessary permits, authorizations or consents for interconnecting Customer-provided equipment and facilities with the Company's Service or facilities as well as ensuring that the Customer-provided equipment or facilities are properly interfaced with the Company's Service.
- 2.8.2 The Customer shall operate its equipment and facilities so as not to interfere with any other Customer's use of the Company's Service.
- 2.8.3 The Customer shall comply with the minimum protective criteria generally accepted in the telephone industry and other appropriate criteria as may be prescribed by the Company to protect the integrity of the Company's Service or for safety reasons.

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2. RULES AND REGULATIONS (continued)

2.8 Equipment (continued)

2.8.4 The Customer shall be responsible for the installation, operation or maintenance of any Customer-provided equipment. Where such equipment is connected to Service furnished by the Company pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of Services under this tariff and to the maintenance and operation of such Services in the proper manner. Subject to this responsibility, the Company shall not be responsible for the following:

- A. The through transmission of signals generated by Customer Provided Equipment or for the quality of, or defects in, such transmission;
- B. The reception of signals by Customer Provided Equipment; or
- C. Network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

2.9 Determination and Rendering of Charges

2.9.1 For billing purposes, Service will be deemed to be started on the day the Service and its associated equipment, if any, is installed. Where billing is based upon Customer usage, billing for all usage commences on the date usage begins.

2.9.2 Subject to the Company's right to terminate or suspend Service as otherwise provided in this tariff, the minimum service period is thirty (30) days. Termination by the Customer is effective as of the end of the next business day after receiving the Customer's request to cancel Service.

2.9.3 All monthly recurring charges are billed one month in advance. Initial and final month's billing, when the service period is less than one month, will be prorated one-thirtieth (1/30th) of the month's recurring charge for each day the Service was rendered.

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2. RULES AND REGULATIONS (continued)

2.9 Determination and Rendering of Charges (continued)

- 2.9.4 Usage charges are billed monthly for the preceding billing period. For periods less than the monthly billing period, minimum usage charges are prorated at one-thirtieth (1/30th) of the monthly minimum amount for each day the Service was rendered.
- 2.9.5 The duration of a call is rated in intervals of the billing increments described for each Service provided in this tariff. If the final interval of a call is less than the applicable billing increment, it will be rounded up to a full increment for purposes of billing.
- 2.9.6 Computed usage charges or credits for each call are rounded to the nearest cent when possible.

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3. SERVICE OFFERINGS

3.1 General Description

The Company offers switched long distance network services for voice grade and low speed dial-up data transmission services offered on a usage-sensitive basis. Service is provided subject to the terms and conditions of this tariff. The Services offered are:

- (A) Domestic Message Telecommunications Service;
- (B) Inbound (800/888/877) Toll Free Service; and
- (C) Calling Card Service.

3.2 Direct Dialed Domestic Service

3.2.1 The Company provides direct dialed transportation of domestic station-to-station calls originating and terminating within the State of _____. The Customer uses the Company's direct dialed Domestic Message Telecommunications Service by dialing 1 + the area code + the desired telephone number.

3.2.2 The rates for Direct Dial Domestic Service are set forth in Section 4.1 of this tariff.

3.3 Inbound (800/888/877) Toll Free Service

3.3.1 The Company's Inbound (800/888/877) Toll Free Service enables the Customer to receive 800/888/877 service calls. The Service is accessed via 800/888/877 NPA's originating on Feature Group facilities provided by the LEC and terminating on a regular business line. The following regulations apply to all Inbound (800/888/877) Toll Free Service:

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3. SERVICE OFFERINGS (continued)

3.3 Inbound (800/888/877) Toll Free Service (continued)

3.3.1 (continued)

- A. The Company reserves the right to require an applicant for the Company's Inbound 800/888/877 Toll Free Service to supply the following information when requesting service: an initial traffic forecast, identification of anticipated busy hour, identification of its geographical target areas, and a schedule of marketing and promotional activities. The Company also may require that a new traffic forecast be submitted by the Customer quarterly after service is initiated.

3.4 Calling Card Service

- 3.4.1 The Company will issue a customer dialed Calling Card, using 800/888/877 access, subject to the terms of this tariff.
- 3.4.2 The Company may place a monthly maximum usage limit on each Calling Card as mutually agreed to by the Customer and the Company. The Company may, without incurring any liability, discontinue the furnishing of Service to a Customer immediately and without notice if the Company deems that such action is necessary to prevent or to protect against fraud or to otherwise protect its personnel, agents or Service.
- 3.4.3 All International usage on the Calling Card will be blocked.
- 3.4.4 The Customer is required to notify the Company immediately when a Customer's Calling Card, using the Customer's Authorization number issued by the Company, needs to be deactivated or terminated. The Customer is responsible to immediately notify the Company when a Customer's Calling Card is lost, stolen, misplaced, has suspected or confirmed misuse, or when fraud is known, anticipated or suspected on a Calling Card.

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3 SERVICE OFFERINGS (continued)

3.4 Calling Card Service (continued)

3.4.5 The Company will deactivate the Calling Card within twenty-four (24) hours after notification from the Customer. The notification can be in writing to the Company, or by contacting the Company's Customer Business Office at (888) 235-3242.

3.5 Operator Services for Presubscribed Customers

3.5.1 Operator Service as provided by Company includes live operator and/or automated operator functions, for the purpose of assisting in the processing of telephone services such as: long distance via collect calls, calling card calls, or third-party billed calls. Company operators may be contacted by dialing 0+ the number desired. Calls will be billed at Company MTS service rates as set forth in Section 4 of this tariff plus the appropriate service charges.

3.5.2 In providing operator services, the Company agrees that:

- A. The Company will not knowingly bill for incomplete calls and will remove any charge(s) for incomplete calls upon subscriber notification or carrier's knowledge of the charge(s) for incomplete calls.
- B. The Company will advise the caller and billed party (if different from the end user) that Company is the operator service provider at the time of the initial contact.
- C. The Company will provide rate quotes, including all rate components and any additional charges, upon request, at no charge.
- D. The Company will allow only tariff charges approved by the _____ for the provision of operator services, to appear on billings rendered by local exchange companies (LECs) on behalf of carrier and will not collect location surcharges imposed by traffic aggregations.

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3. SERVICE OFFERINGS (continued)

3.5 Operator Services for Presubscribed Customers (continued)

3.5.2 In providing operator services, the Company agrees that: (continued)

- E. Company will arrange for listings of its name on a LEC's billing of Company's charges, if the LEC has multi-carrier bill listing capability.
- F. Company will employ reasonable calling card verification procedures which are acceptable to the companies issuing the calling cards which it determines to be invalid or cards which it is unable to verify.

3.6 Directory Assistance

3.6.1 Long Distance Directory Assistance is available to Customers of the Company's switched services. The charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number. Up to two requests may be made on each Directory Assistance call.

3.6.2 A credit allowance for a Directory Assistance call will be provided if the Customer experiences poor transmission quality, receives an incorrect telephone number, or inadvertently misdials the intended Directory Assistance number.

3.6.3 Usage Charges.

Refer to Section 4.5 of this tariff.

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3. SERVICE OFFERINGS (continued)

3.7 Timing of Calls

Chargeable time begins when the connection is established between the calling station and the called telephone number and ends when either party hangs up. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Calls are not time of day or distance sensitive.

3.7.1 Uncompleted Calls

There shall be no charge for uncompleted calls.

3.7.2 Billing Increments

Unless otherwise specifically stated in this tariff, all calls, regardless of time period, lasting eighteen (18) seconds or a fraction thereof, are subject to a minimum billing increment of eighteen (18) seconds. Calls are billed in six (6) second increments thereafter, with partial seconds rounded up to the next full six (6) seconds.

3.7.3 Per Call Billing Charges

Billing will be rounded up to the nearest penny for each call.

3.8 Minimum Call Completion Rate

A customer can expect a call completion rate (number of calls completed / number of calls attempted) of not less than 99% during peak use periods for all FG D services ("1+dialing").

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4. RATES

4.1 Direct Dialed Domestic Service

The Company offers Direct Dialed termination within the State of _____, as defined in Section 3.2 of this tariff. Service is furnished subject to availability of both the telecommunications facilities and the required billing capabilities. Unless specific written authorization from the Company is provided, the Service may not be used to aggregate the long distance communications of multiple end users for resale, or to provision communications services for others.

Customers reselling or rebilling services must have a Certificate of _____ as an interexchange carrier from the _____ Public _____.

Rate per Minute:

	<u>Switched</u>	<u>Dedicated</u>
IntraLATA:	\$	\$

Rates are applied in six (6) second increments with an eighteen (18) second minimum.

4.2 Inbound (800/888/877) Toll Free Service

Domestic Inbound (800/888/877) Toll Free Service, using a Common Business Line (CBL) termination, is provided subject to the terms of this tariff.

Rate per Minute:

	<u>Switched</u>	<u>Dedicated</u>
IntraLATA:	\$	\$

Rates are applied is six (6) second increments with an eighteen (18) second minimum.

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4. RATES (continued)

4.3 Calling Card Rates

Company provided, Customer dialed Calling Cards are provided subject to the terms of this tariff.

Calling Cards usage is billed at an initial one (1) minute minimum usage charge, and in one (1) minute additional increments after the first full minute of usage.

Rate per Minute:

IntraLATA: \$

4.4 Presubscribed Operator Service Rates

1. Busy Verification, each	\$
2. Interruption, each	\$
3. Collect	\$
4. Person-to-Person, per call	\$
5. Station-to-Station, per call	\$
6. Billed to Third Party, per call	\$

4.5 Directory Assistance Charges

Usage Charges:

Per call charges for Directory Assistance will be \$ per call.

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5. PROMOTIONS

- 5.1 The Company may upon _____ approval, offer customers specific rate incentives during specified promotional periods. These promotions will be approved by the _____ with specific starting and ending dates, and be made part of this tariff.

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ATTACHMENT 8

PUC Complaints

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
9/12/99	Maine	Bell Atlantic	Davis & Company	Customer says we took over their long distance and local service without their permission. Also claimed we changed her rates and that a vendor came on site she did not know about and refused to pay for.	<p>This was a case where the husband signed a contract for FairPoint LD and local service. The vendor was there by knowledge of Mr. Thalheimer. The rates were what Bell charged them less a 10% discount which was explained on the signed contract. They ultimately went back to BA and has not paid their bill. The Maine PUC said they could find no fault with This was a case where the husband signed a contract for FairPoint LD and local service. The vendor was there by knowledge of Mr. Thalheimer. The rates were what Bell charged them less a 10% discount which was explained on the signed contract. They ultimately went back to BA and has not paid their bill. The Maine PUC said they could find no fault with FairPoint and advised customer of that. - Customer back with BA</p> <p>Mary Niles from PUC called 9/27/99 to say FairPoint not at fault and will advise customer they need to pay bill.</p>	9/12/99	9/15/99	Closed	Marlene Cross	1
9/29/99	New York	Bell Atlantic	Debrino Caulking Association	Since converting to FairPoint the customer claims his hunting has not worked properly. BA took a long time to resolve.	A duplicate order caused the problem. When both orders were worked, the duplicate order disrupted the hunt configuration. Service was fixed on 10/2. Customer was given credit on the 5th.	9/29/99	10/13/99	Closed	Marlene Cross	2
10/21/99	New Hampshire	Bell Atlantic	Steve Haber/The Hot Air Balloon ER	Customer says we took over local and long distance service without his approval or knowledge.	An error was made when the telephone number was typed into system. It was typed as 603-880-4220 (Hot Air Balloon ER) instead of 4420 which is for Critical Process Filtration (actual company we were converting). Customer was called and is okay with compensation and may sign up with FairPoint as a customer.	10/21/99	11/11/99	Closed	Marlene Cross	3

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
11/14/99	Maine	Bell Atlantic	Supper At Six Portland	Customer is not listed in local directory assistance - has called numerous times with no adequate response	Bell admitted system problem and customer was put in database manually and will be updated 11/16 (verified working on that day). Customer staying with FairPoint. PUC sent ltr. 11/17 finding no fault with FairPoint	11/14/99	11/15/99	Closed	Marlene Cross	4
11/18/99	New York	Bell Atlantic	Renaissance Trade School	Customer contends they have someone else's lines. One line not transferred to new location. Complains of long delay.	Bell Atlantic hooked up lines at CO but did not go to customer site to switch/add lines. BA went out and fixed on 11/18.	11/18/99	11/18/99	Closed	Marlene Cross	5
11/24/99	Maine	Bell Atlantic	Supper At Six	Customer can make calls but can not receive them. When I called, it said "number not in service". Catering company and this is the busiest time of year.	Customer decided to switch back to Bell - then changed mind but BA's system did not get updated with info and BA ported numbers back at 8AM 11/24. Illuminet has carrier down (Qwest) and can not push numbers back to us until Qwest back up. Greenbush is having Bell call Qwest directly to have numbers manually released so Bell can push back to us. Qwest has been down since 11/23. Problem was resolved at 12:00 noon 11/24. PUC sent letter on 11-17-99 saying FairPoint not at fault.	11/24/99	11/24/99	Closed	Marlene Cross	6
12/ 1/99	Washinton	GTE	Data Plus Computers	Customer says asked to go back to GTE mid-Oct but to date old numbers haven't been released. FairPoint is still billing them and they have no contract with FairPoint.	On 11/9 he called Greenbush and said GTE told him we were blocking the lines so they couldn't take them back. We do not block lines. We called GTE on customer's behalf and rep could not find file - said they would research it. On 11/20 customer conferenced on with GTE and were told 3 lines would be back to GTE on 11/23. The other 4 lines were being disconnected and GTE would not take them back so we had to place order to disconnect and put referral on per customer's request. On 11/29 all lines have been disconnected but referral not on. We had to put trouble ticket in with GTE. Referral put on one line on 12/2 - now complete. We will give customer credit for 4 lines back to 10/13. He appeared to be okay with that. Customer is back with GTE.	12/ 1/99	12/ 2/99	Closed	Marlene Cross	7

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
12/ 9/99	New York	Bell Atlantic	Leatherstocking Agency, Inc.	Customer had had problems since 9/9. One line o-o-s. Never got her voicemail or distinctive ringing. Says no one will give her answer as to when it will be fixed. They say FP blames B.A. Says does not have promised features.	Line was out of service for about two hrs 12/9. It has been fixed. Can not give vm as on UNE-P so we offered to get ans service, ans machine or go back to BA. She did not want to go back so we purchased an answering machine. Distinctive ringing on line as of 4PM 12/9. Had to change second line to BTN as can not put distinctive ringing on a non-BTN number. Cust. given \$50.00 credit for features they didn't have. Per our Customer Service Department, she is happy with FairPoint and realizes we have done what we could to provide her with the service she wants. Customer regretted filing complaint.	12/ 9/99	12/ 9/99	Closed	Marlene Cross	8
12/28/99	New Hampshire	Bell Atlantic	The Office Suite	Customer claims left FairPoint on 8/18 and FairPoint billed them up to 8/28. Claims we are unreasonable as they were told we would not issue credit for 8/18 thru 8/28.	Even though we were not notified until 8/26 that customer had converted to another carrier, we went ahead and issued them a credit for the 8 days in the amount of \$238.09. This was done on 12/17/99. Customer still disputes LD charges in the amount of \$31.78 for calls made on the 18th. It has been determined that they were not our LD customer so we have initiated a credit in the amount of \$31.78 on 1/3/00.	12/28/99	12/29/99	Closed	Marlene Cross	9
1/26/00	Maine	Bell Atlantic	E.A. Bushman	Customer claims they were slammed. Says had trouble with their service once we moved them from resale to facilities. Hunting dropped, one line out of service.	We explained this was not slamming. Apologized for the inconveniences and have moved the customer back to resale. Customer is satisfied with FairPoint's response to the issue. John LaPenta had talked to the ARM regarding this complaint.	1/26/00	1/28/00	Closed	Marlene Cross	10
1/28/00	Maine	Bell Atlantic	Flower Franchise	Customer was switched from resale to facilities on the 17th. They had trouble with their lines. Since the 21st, they are not able to send or receive info over their data line 207-873-2627. They have been told it will be fixed 2/3. Not acceptable to the customer. They want to go back to Bell. This is a modem line for a flower shop and the main part of their business.	We are having trouble with facility cuts in the Waterville and Augusta area. Our Hot Cut Team can not change back to resale until February 3rd. Customer notified us on 1/22 of problem. Standard interval for this order is 5 days. Greenbush is escalating to get done sooner. Our facilities can not handle the speed needed for this line. Customer put back on resale 2/4. Formal complaint answered - same issue discussed. Sent copies from AS400 - memo screen & troubles.	1/28/00	1/31/00	Closed	Marlene Cross	11

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
2/ 2/00	Maine	Bell Atlantic	Design Architectural Heating	Customer claims we are hindering him from going back to Bell. Said he has been trying to go back since 1/3 but that Bell tells him we are not releasing the lines for them to take back. Customer mentioned he did not dislike FairPoint, he just wanted to go back to Bell.	FairPoint did have an open order in the system from November 18th. This order was closed out on 2/4 and Bell able to pull order. FairPoint took too much time to close out order. Did not probably check the GUI system for open order. Bell confirmed that our open order has been cancelled as of 2/4 and Bell can now take customer back. Customer went back on 2/4.	2/ 2/00	2/ 4/00	Closed	Marlene Cross	13
2/ 3/00	Maine	Bell Atlantic	E.A. Bushman	Called to say couldn't make LD calls.	This was customer initiated problem. They asked their current provider to discontinue their service & when they immediately did, they did not have LD. They called FP saying they switched carriers to Lightship and FP had to scramble to get put in database as Lightship is a new provider and was not loaded in database. Customer only out for a short time. Could have used a dial around.	2/ 3/00	2/ 3/00	Closed	Marlene Cross	15
2/ 7/00	Maine	Bell Atlantic	Childs, Gordon, Dirigo Waste Oil	Customer claims inability to get telephone repairs completed on his service for several weeks, prior to the discontinuance of his service from FairPoint.	Mostly Bell problems - ring no answer because of loop back condition. 800 number didn't work because MCI had routing problem. Problems did start after conversion to facilities. FP followed up on all trouble tickets and with customer. Customer went back to Bell on 1/28.	2/ 7/00	2/ 9/00	Closed	Marlene Cross	17
2/ 8/00	Maine	Bell Atlantic	Bob Morrissette	Customer claims inability to receive collect calls from Thomaston/Warren Correction Facility. Had been receiving calls for 2 months - FP will not give him answer. Was told problem was with Correction Facility and FP's programming and it would take 24 hrs to fix - still not fixed.	Line never got put in the LIDB database. We tried to get blocking removed on 1/24 but on 1/25 realized that line was never in LIDB. Put in. Customer could not receive calls from 7:45 AM 1/24 until 4:00 PM 1/25. It may have been fixed before that but 4:00 was first time he got collect call from the prison. Unable to determine why line was never in LIDB database. Should have been automatic update which usually takes 24 hours. Letter from PUC on 2/10 found no fault with FairPoint	2/ 8/00	2/10/00	Closed	Marlene Cross	18

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
2/ 8/00	Maine	Bell Atlantic	E.A. Bushman	FORMAL COMPLAINT FROM PUC - Customer dispute concerning facilities. PUC wants documentation in response to this complaint. This customer called the PUC approx. every 1/2 hour.	Gave PUC same information as already supplied. Sent all requested records as back-up.	2/ 8/00	2/11/00	Closed	Marlene Cross	16
2/ 9/00	Maine	Bell Atlantic	E.A. Bushman	Out of service. BELL PROBLEM.	Out of service because going back to Bell today. FP did all paperwork, pushed numbers back. Bell's system is down & can't do porting until back up.	2/ 9/00	2/ 9/00	Closed	Marlene Cross	19
2/ 9/00	Washington	US West	Trans Care	Customer says having problems because USWest has failed to delete the VM account they had before conversion even though Fairpoint has requested it.	When order placed for conversion USWest removed voicemail features on first line but not last line of hunt group, so when all 3 lines busy it went to non-existent VM. Placed trouble ticket - USWest did not fix - took Betty Carlson calling USWest translations to have fixed in a matter of minutes. FairPoint at fault for letting too much time lapse between trouble ticket & follow-up. Voicemail fixed on 2/3.	2/ 9/00	2/10/00	Closed	Marlene Cross	20
2/10/00	Pennsylvania	Bell Atlantic	M & M Roofing	Customer complaining that due date of 2/9 has been missed - requested new line on 1/13 and service still not installed.	Bell came out on 9th and hooked up to Dmarc which is all they are required to do. Demarc was outside. Customer misunderstood that inside wiring meant that they needed to have a vendor punch down the line. They just ran the wire to the NID and left it hanging there thinking Bell would crossconnect it. They are okay with that and not upset with FairPoint.	2/11/00	2/11/00	Closed	Marlene Cross	21
2/14/00	Maine	Bell Atlantic	Design Architectural Heating	FORMAL COMPLAINT - Customer claims we are hindering him from going back to Bell. Said he has been trying to go back since 1/3 but that Bell tells him we are not releasing the lines for them to take back. Customer mentioned he did not dislike FairPoint, he just wanted to go back to Bell.	FairPoint did have an open order in the system from November 18th. This order was closed out on 2/4 and Bell able to pull order. FairPoint took too much time to close out order. Did not probably check the GUI system for open order. Bell confirmed that our open order has been cancelled as of 2/4 and Bell can now take customer back. Customer went back on 2/4.	2/14/00	2/16/00	Closed	Marlene Cross	14

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
2/14/00	Maine	Bell Atlantic	Flower Franchise	FORMAL COMPLAINT - Customer was switched from resale to facilities on the 17th. They had trouble with their lines. Since the 21st, they are not able to send or receive info over their data line 207-873-2627. They have been told it will be fixed 2/3. Not acceptable to the customer. They want to go back to Bell. This is a modem line for a flower shop and the main part of their business.	We are having trouble with facility cuts in the Waterville and Augusta area. Our Hot Cut Team can not change back to resale until February 3rd. Customer notified us on 1/22 of problem. Standard interval for this order is 5 days. Greenbush is escalating to get done sooner. Our facilities can not handle the speed needed for this line. Customer put back on resale 2/4. Formal complaint answered - same issue discussed. Sent copies from AS400 - memo screen & troubles.	2/14/00	2/17/00	Closed	Marlene Cross	12
2/14/00	Washington	US West	Yakima Acupuncture Clinic	Customer claims he has had problems with getting line moved and with call forwarding. Also states that he is not listed in yellow pages correctly. His business is in his home - residential service is with USWest. Claims his business has dropped 80-90%.	The main problem was that we were not able to take his old number and move to new location because of different end office - it would have have to be an FX line which customer said too expensive. We arranged to have MEL line put in with CFW. The old line is still at old location being forwarded to new location. There is a potential exposure to customer. Customer looking for cheapest way to do business without changing number.	2/14/00	2/16/00	Closed	Marlene Cross	25
2/14/00	Maine	Bell Atlantic	Kennebec Ice Arena	Customer claims that since he was switched to facilities he has had trouble making & receiving calls. Today he can not get calls from customers who are checking to see if they are open because of ice and rain storm they are having. He wants to go back to Bell.	Customer switched to facilities on 1/25. Had many problems - asked to go back to resale on 2/8. Problems on 2/14 was because Bell was putting back on their facilities - problem cleared after they were moved. Customer is now on resale and remains a FairPoint customer. Problems were ring no answer, all ckts busy - couldn't make or receive calls.	2/14/00	2/17/00	Closed	Marlene Cross	23

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
2/14/00	New York	Bell Atlantic	CRSR Designs	Claims fax machine has been o/o/s since 2/9 (it's unplugged). Says FP lied to them by saying we had tested line and it was working. Customer tired of FP blaming Bell - just wants line fixed - wants answer as to when it will be done. PSC has given us 2 hours to respond to customer.	Customer moving. Bell cancelled order for fax line. Bell went to site 3 times - 2 times to old location. Hooked up line at new location - found out FP customer and put back in at old location. Rep said wkg because it was ringing at old site. Bell went out on 2/14 but said couldn't fix at that time. Finally Bell went out on 2/17 and got line put in and working at 3:05 PM.	2/14/00	2/18/00	Closed	Marlene Cross	22
2/17/00	Maine	Bell Atlantic	Day One Substance Abuse	Customer said when switched to facilities never told. Says calls to FP not returned. Problem with billing not resolved. Wants to switch back to Bell - was told going to cost \$56 per line. Don't know if Bell told them that price or FP.	Customer left message on 1/17 re cutover next day. No record of any outstanding issues with customer. Leo called in asking questions regarding rates - show no record of any open disputes. We did not tell customer \$56 - we think they got from Bell. No charge if go back to FP resale. Asked PUC to wipe from record.	2/17/00	2/18/00	Closed	Marlene Cross	26
2/22/00	Maine	Bell Atlantic	Kennebec Ice Arena	FORMAL COMPLAINT - Customer claims that since he was switched to facilities he has had trouble making & receiving calls. Today he can not get calls from customers who are checking to see if they are open because of ice and rain storm they are having. He wants to go back to Bell.	Customer switched to facilities on 1/25. Had many problems - asked to go back to resale on 2/8. Problems on 2/14 was because Bell was putting back on their facilities - problem cleared after they were moved. Customer is now on resale and remains a FairPoint customer. Problems were ring no answer, all ckts busy - couldn't make or receive calls.	2/22/00	2/22/00	Closed	Marlene Cross	24
2/24/00	Maine	Bell Atlantic	Maine Equal Justice	Customer has had problems since the 2/9 switch to facilities. They can not get calls from the 207-287 exchange. They say that FairPoint keeps telling them it is a Bell problem but it has not been resolved. Their customers get a "the # you have dialed has been disconnected".	FairPoint has been working with Bell since 2/9 to resolve this problem. Bell at one time said it was a routing problem. On 2/24 Bell put a protocol analyzer on the line to determine how the call was routing. They later called back to say line was fixed and that the problem was there was no spid on the ISDN. The customer that could not call the Maine Equal Justice was the State of Maine and it was their lines that BA had to fix - not Maine Equal Justice.	2/24/00	2/24/00	Closed	Marlene Cross	27

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
3/ 7/00	Maine	Bell Atlantic	Subway Sandwich Shop	Customer says FP terminated service when their account was current. Claims 4 days of lost business. Claims FP did not give him savings he was promised because of "select calling". Says sales representative did not give him savings as promised. Wants compensation for \$110 for reconnect charges to Bell and for loss of business. He sent letter to FP & PSC.	Apparently this customer had reservations about going with FP in the 1st place. He wasn't happy with the rates we gave him. He paid his first bill because it was neither higher or lower but decided to go back to Bell. He called Bell directly and they switched him. We are crediting him for \$191.03 and we will also reimburse him for the \$56.00 fee for switching to Bell. He was understanding and satisfied with our reimbursement.	3/ 8/00	3/ 9/00	Closed	Marlene Cross	28
3/10/00	New York	Bell Atlantic	Leslie Alvarez	Customer says she was slammed. Said she never authorized change to FP. She wants reimbursed for \$92 charge to go back to Bell.	Obtained copy of contract - Local Service Conversion was authorized by Denise Cook. Sent paperwork to PSC - we do not feel obligated to pay reconnect charges.	3/10/00	3/20/00	Closed	Marlene Cross	29
3/11/00	New York	Bell Atlantic	Tri-State Associated Services	Customer says three weeks in a row ea. Monday problem either with 800 number or 914 number or both. Customers receive busy signal or Numbers not in service. He wants recording changed - Jeff Hecht said he investigate - customer wants fixed immediately	Bell was not able to handle our order volume so they pushed this customer's facilities cut date out three times and three times they prematurely disconnected them. FP promptly placed trouble tickets and got the customer reconnected but he left us as a resale customer and went back to Bell.	3/11/00	3/23/00	Closed	Marlene Cross	30
3/15/00	Maine	Bell Atlantic	Burt Kettle, Esq.	Customer says he can not use BA credit card to make calls. Became FP customer on 2/29 - no bill from FP yet. He was also concerned that his 800 number would still work.	It is BA's policy to cut off credit card the day before a customer is converted to a new provider. His card was cut off on the 14th and he became an FP customer on the 15th. We got LOA for 800 number. We told him 800 change would be seamless. He is okay with FP.	3/15/00	3/21/00	Closed	Marlene Cross	31

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
3/21/00	Maine	Bell Atlantic	Kennebec Marine Company	Since switching to FairPoint on 3/13 customer has experienced problem with 800 number and either can not get or make calls. Presently she is completely out of service. Wants to be compensated for her down time.	This customer has had numerous problems. Latest problem was that Bell Atlantic disconnected them early and reassigned their DLC slot to another customer. When put back in they put on different facilities and moved Dmarc without telling customer or FP. Once problem was discovered, we had lines taken from Dmarc to customers phones and they were back in service as of the 21st.	3/21/00	3/23/00	Closed	Marlene Cross	33
3/21/00	Washington	US West	Waypoint Communications, Inc.	Customer is an ISP and has 51 lines with FP. His hunting has been wrong for the 3rd time. Two places in Hunt group it breaks down. USWest says they fix and then it goes out of sequence. Customer claims losing business as customers are leaving him. He has called everyone he can in USWest & FP. He says he had no problem the 4 years with USWest and now it's been messed up 3 times in two weeks.	3/8, 3/14 & 3/21 customer had problems with hunt sequences. USWest had changed them in translations Fixed as of 3/22 and customer has all lines working. CSR incorrect on hunt sequence and FP believes USW kept changing to reflect CSR. FP has placed a "Chg Order for Records Only" to get CSR to reflect correct hunting sequence so that this does not happen again. This was assurance customer needed. Cust knows it was a USWest problem but filed complaint anyway. Asked that complaint be removed from our record.	3/21/00	3/23/00	Closed	Marlene Cross	32
3/23/00	Maine	Bell Atlantic	Mieneke Discount Mufflers	Customer says he has been FP customer for two months. Salesman promised to come back to his office with 1st bill and he never did. Has tried to get through to Fairpoint with no success. He thinks he has been switched to company called OCC which he never authorized.	Only one call on 3/2 stating he didn't get discount he thought - FairPoint gave him discount. Found out on Line Loss Report he left us on 1/27 to go to Bell - report says "did not get savings he envisioned". No record of any trouble calls and no reason why he could not get through to FairPoint.	3/23/00	3/29/00	Closed	Marlene Cross	34
3/24/00	New York	Bell Atlantic	Classic Cutters	Customer has had problem with static on his line since 3/14. Wants fixed - says it is affecting his business. BA came out twice and said it was customer's equip. He wants it fixed urgently.	It took 4 trouble tickets with Bell before they replaced a bad cable. In the meantime, we put the customer on suspension. Told Lea Marinopoulos that this was not a good idea. Customer's static was cleared on 3/28. It took 14 days to get this problem fixed.	3/27/00	3/29/00	Closed	Marlene Cross	35

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
4/ 4/00	New York	Bell Atlantic	Mr. Big Belly's	Customer states changed from FP to BA on 2/29 and has had problems since early March. Customer states BA says FP took service back & won't release lines. Cust. called FP and talked to reps. Wants line released to BA and billing cancelled. Says being billed for service they don't have - wants reimbursed for conversion charges to BA.	Customer went back to Bell on 2/29 but FP was not aware of it until 3/6 which we ignored because we had called customer on the 3rd to tell them we were cutting them to facilities on the 8th. No name was noted so Ms. Binney disputes we called. We put them on facilities & now they have to go back to Bell again. Paperwork was issued from Bell on 4/4 with Jeff Hecht's help. FP has offered to pay conversion charges to Bell. FP will now pull CSR prior to cutover to be assured they are still a FairPoint customer and name must be noted in memo screen of who was notified of cutover.	4/ 4/00	4/ 5/00	Closed	Marlene Cross	36
4/ 6/00	Washington	US West	Yakima Acupuncture Clinic	Says a client could not reach him for two days as his phone was not forwarding. Says when he complained to FP we offered him a free lunch just like they were going to give him two month's free service. He claims he has lost \$20,000 to \$30,000 worth of business with the last problem.	Complaint is actually Randle Acupuncture Clinic which is a separate account. Conversion was 4/3 - CFBNA not on even though it was on order. USWest said to place another order for CFBNA - FP complied - still not put on. We have trouble ticket in with USWest. This company & problem was not addressed on the complaint - two different locations. Other location working fine.	4/ 6/00	4/12/00	Closed	Marlene Cross	37
4/10/00	New York	Bell Atlantic	Church of Latter Day Saints	Mr. Touron says that we slammed his company, that no one authorized a switch from Bell to FairPoint. He wants to go back to Bell.	Mr. Withey signed the authorization form. He does have the authority to make telephone changes. He did not tell Mr. Touron. We are switching two lines back to Bell for Mr. Touron and the rest of the lines will remain with FP. Sent copy of contract to PUC along with other information showing we had authorization. Asked that this complaint be removed from record.	4/10/00	4/11/00	Closed	Marlene Cross	39
4/10/00	New York	Bell Atlantic	CTC Communications	This is a CLEC that filed a complaint that FP would not provide them with a customer service record so they can convert our customer to them.	FairPoint does not have system in place to create a CSR for other CLEC's. We are cooperating with the PUC and will support whatever decision they make as to how CLEC-to-CLEC conversions will be handled. CTC can request copy of bill from customer. We will cooperate fully with the conversion we just can not supply a CSR. Asked PUC to remove from our record.	4/10/00	4/10/00	Closed	Marlene Cross	38

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
4/11/00	Maine	Bell Atlantic	Webster Engineering Corp.	Customer claims that they have not been able to use their long distance since switching back to Bell on 3/15.	Customer is still a FairPoint customer. They have always been able to make LD calls. With Bell, they did not have to put in account codes to call a cell phone or a pager, with FairPoint, they do. Asked the PSC to remove this unfounded complaint from our records.	4/11/00	4/13/00	Closed	Marlene Cross	40
4/11/00	New York	Bell Atlantic	Art Design Digression	Customer says he did not get his free month as promised. Says he has a LD company he didn't ask for. Hasn't been credited for LD error. He's been cut-off for non-payment. Says he called FP and they are sympathetic but want payment.	Customer signed contract to switch local and LD to FP. He then switched to Sprint on 3/10. He is liable for FP charges up to the Sprint switch. He will get one month credit when he pays his bill. He sent a payment on 4/12 for \$231.73 and we are restoring his service. At no time did he have an unauthorized LD carrier.	4/11/00	4/13/00	Closed	Marlene Cross	41
4/20/00	New York	Bell Atlantic	Nature Conservancy	Customer states that fax line has no dial tone since 4/14 and still not fixed and now has one line out of 7 that is working. Says FP can not tell them when it will be fixed.	This is a case of where we cancelled an LNP order with Bell in December and they went ahead and worked two disconnect order affecting 6 of 7 lines on 4/13 and 4/19. TISOC would not take order to repair - we had to take to Director of TISOC to get this customer put back in service. Lines and service was restored on 4/21. We are addressing this issue with Bell on 5/8.	4/20/00	4/25/00	Closed	Marlene Cross	43
4/20/00	New York	Bell Atlantic	Ackert Graphics	Customer says that since he switched he has had line problems. Says he is losing business. Problem is with voicemail.	Customer had voicemail problems with Bell before converting to us. He asked Bell to remove it. They were then converted to us and voicemail still a problem. We placed order to have removed. Once Bell removed it, they had hunting problems. We had to place another trouble ticket and hunting was restored on 4/24. Voicemail caused 1st line to go to box that was not working - customers could not get through.	4/20/00	4/25/00	Closed	Marlene Cross	42
4/25/00	New York	Bell Atlantic	Ulter County Resource Recovery	Customers has be without service for over 2 days. Wants line fixed. Called FP and also BA but nothing is being done to rectify the problem.	FairPoint cancelled a switch to facilities on 2/25. Bell did not take out order from system and worked disc. on 4/25. Not only did they take customer out of switch but they also assigned their cable pairs to another customer. FP had to go to Director of TISOC to get this customer assigned new pairs and reconnected. Not done until 11 AM on 4/27. Cust. Is happy w/FP.	4/25/00	4/28/00	Closed	Marlene Cross	44

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
4/28/00	New York	Bell Atlantic	Microchip Entertainment Inc.	Customer says received solicitation from FP in June of last year to become cust. but never provided service. Says he is getting bill for \$37.77 which he is not liable to pay. Wants billing stopped and account credited.	We put them in our system but never converted them so we have issued an adjustment to remove all billing and give them full credit. We have also stopped any process for collections.	4/28/00	5/ 2/00	Closed	Marlene Cross	45
5/ 4/00	New York	Bell Atlantic	Rodar Enterprises Inc.	Customer says placed order with FP for service but says current carrier won't release service. Their carrier says no order received from FP. Wants us to process order for her service as requested approx. one month ago.	We are waiting on CSR from Plan B. We should go ahead and convert without CSR. Customer also stated that they wanted this complaint against Plan B. Told customer service to tell customer to have removed from file. We can also move customer to RBOC and then to us and eat the charges.	5/ 4/00	5/15/00	Closed	Marlene Cross	47
5/ 4/00	New York	Bell Atlantic	B & L Wholesale	Customer says turned off in error. Bill was only due on 5/12. He went to the business office in person. Wants compensation for FairPoint error.	Customer had unpaid balance dating back to Feb. FP sent him suspension notice. He said he had agreement to pay bill every three months but there is no documentation to substantiate that and customer didn't have a name of anyone he talked to. He has had 4 suspensions since Jan. of 1999. FP's notice did come back because numbers were transposed so we did give customer credit for restoral fee of \$79.	5/ 4/00	5/ 9/00	Closed	Marlene Cross	46
5/ 9/00	New York	Bell Atlantic	Omnis Computers	Customer says he wants to go to Choice One but that FairPoint will not agree to switch date or release lines. Customer accuses us of not working with Bell or Choice One.	Neither BA or Choice One has sent LSR to FairPoint to take over service. Choice One can not take without an LSR because BA does not have any facilities available to give customer. We will not issue disconnect orders because that would put customer out of service. Have asked to be removed from record as this issue is with Choice One and BA who will not issue an LSR to FairPoint. We have agreed to cooperate in everyway we can.	5/10/00	5/10/00	Closed	Marlene Cross	48

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
5/12/00	New York	Bell Atlantic	Anchor Heating & Air Conditioning	Customer states made payment by certified mail on 5/3 - on 5/11 service was terminated and remains out. Wants FP to restore service - said we told them they would be reconnected by 2PM 5/11 but is still out. Claims disconnected in error.	Cusomter sent payment on 5/3 via certified mail but it did not get credited to account and they were suspended on 5/11. Advised they need to pay their bill on time to be sure it won't happen again, if can't, they need to call and either pay in person or advise payment sent via certified mail so we can be looking for it.	5/12/00	5/22/00	Closed	Marlene Cross	49
5/17/00	New Hampshire	Bell Atlantic	Capitol Dodge	Customer claims they have been trying to come to us from Network Plus. We They say they have gotten no status from either company.	We were trying to get customer back to Bell through Winback. Bell did not take back when they said. We did not ask Network Plus for CSR. PUC says conversion should be transparent to customer - not true for facilities. FairPoint needs to develop internal procedures for CLEC conversions before mandates are put out.	5/17/00	5/19/00	Closed	Marlene Cross	51
5/17/00	New Hampshire	Bell Atlantic	New Hampshire Healthy Kids	They say they came to us on 5/15 and they have no ISDN line. This is a move order.	Bell has been dragging their heels regarding this move. The new due date is 5/26. We are working to expedite and so is PUC. Customer has called FairPoint every hour on the hour to get this done. Gave order numbers to PUC to investigate with Bell and try to expedite. ISDN line installed on 5/27.	5/17/00	5/30/00	Closed	Marlene Cross	50
5/17/00	Washington	US West	Thomas Pulaski - ISN Corporation	Customer claims received suspension notice on 4/11 - paid \$615.76 - paid on 4/14. May 12th he was suspended. He wants his lines restored.	Customer came to us on 10/25/99. As of April bill, he owes us \$31,384.86. Not only has he been suspended but FairPoint will be seeking legal means to collect the balance. Have asked that this unsubstantiated complaint be removed from our records.	5/17/00	5/22/00	Closed	Marlene Cross	52
5/24/00	New York	Bell Atlantic	A1 Automotive Electrical	Customer says they have had 2 of 4 lines o/o/s since 5/18. No info on when they will be fixed. Wants FP to fix immediately and to address loss of business.	FP was working with BA since 5/18 to get lines working. 1st Bell delayed because of work schedule and then went out and closed out ticket without repairing. Had to escalate to get them back out. Lines not fixed until 5/24.	5/24/00	5/30/00	Closed	Marlene Cross	53

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
5/24/00	New York	Bell Atlantic	Hudson River Housing	Customer says did not have service from 5/10 to 5/17. Supposed to move 5 lines and install 2. Still needs 4 lines as only 3 installed on 5/17. Needs lines. Wants response today as to when this will be done.	Due date is 5/25 of which customer was aware. Customer's vendor had forwarded their lines to voicemail and disabled some of their ports which caused an outage from 5/10 to 5/16 to discover problem. Bell also did not do install in a timely manner. All lines working at 3:38 PM on 6/5.	5/24/00	5/25/00	Closed	Marlene Cross	54
5/31/00	Maine	Bell Atlantic	Mega Stores	Customer's fax line is not working. He thinks it was disconnected when a pay phone was installed.	Fax line was hooked up to the pay phone. Wrong line was hooked up by vendor. No trouble ticket was ever put in by customer. FairPoint put one in on 6/2. Bell went out before our tech and fixed the problem. We are not sure what they did to fix. When you dialled pay ph. number it would give fax tone.	5/31/00	6/2/00	Closed	Marlene Cross	55
6/9/00	New York	Bell Atlantic	Advantage Financial Services	Customer says FP charging 14 to 22 cents per minute instead of 8.9 she agreed to. Says FP rep could not explain why she was being overbilled	When FP pulled the customer's 5/26 bill, their LD reflects the 8.9 cents per minute usage. Have asked PUC to remove from records and if they have any substantiating documents from customer, please fax to us to investigate.	6/9/00	6/9/00	Closed	Marlene Cross	56
6/9/00	New York	Bell Atlantic	Remax Realty Results	Customer has been trying to get his 9 lines transferred to a new address. 4 have been done but still missing 5 since Memorial Day. Today, all lines are O/O/S. Wants repaired immediately and compensated for loss of business. Says doesn't care who missed appointment, FP his his provider.	Bell Atlantic is not cooperating in getting these lines in. FP has escalated and continuously followed-up and Bell has been totally incompetent. Bell wants us now to sup the order and we refuse because it will mean they can push the due date out. Currently, the customer has only 7 of 9 lines but is willing to wait another two weeks to get them.	6/9/00	6/15/00	Closed	Marlene Cross	57
6/9/00	New Hampshire	Bell Atlantic	Harvest Capitol Management	Says one of their lines was never converted to FP and belongs to Network Plus.	Customer was slammed by Network Plus. Have advised customer and PUC to file a complaint against Network Plus as they have been slamming many of our customers in NH.	6/9/00	6/13/00	Closed	Marlene Cross	59
6/9/00	New Hampshire	Bell Atlantic	Harvest Capitol Management	Says one of their lines was never converted to FP and belongs to Network Plus.	Customer was slammed by Network Plus. Have advised customer and PUC to file a complaint against Network Plus as they have been slamming many of our customers in NH.	6/9/00	6/13/00	Closed	Marlene Cross	58

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
6/12/00	Maine	Bell Atlantic	Radio City	Customer says we are delaying giving him service.	FairPoint has had an ECHO problem which we worked on diligently to rectify. Problem was internal timing on the SONET.	6/12/00	6/28/00	Closed	Marlene Cross	60
6/16/00	New York	Bell Atlantic	Mid-Hudson Alcoholism Recovery	Customer's 4 lines have been out of service since 6/11 - customer says FP says not their problem - BA's problem - FP needs to expedite repair.	FP diligently followed-up with Bell to get these lines fixed. BA placed all lines O/O/S on 16th because of trouble on lines. We escalated and kept customer informed of each step. Bell mis-wired one line. Had to re-dispatch. Lines finally fixed at 9:34 AM on the 20th.	6/16/00	6/21/00	Closed	Marlene Cross	61
6/19/00	New York	Bell Atlantic	Upper Hudson Valley Dermatology	Customer disputes billing - says we are too high - went to Adelphia - wants us to adjust bill - mad we sent their account to collections - says our bills higher than Adelphia's	FP tried on numerous occasions to explain bill. Gave an adjustment reducing bill to \$1,269.38. Told customer we were sending to collections. Adelphia's bill is lower because no LMS on bill - FP pointed out that it will catch up to customer. NYS Regulation states that if a customer has a business line in NY, it must be LMS. That's why Adelphia's bills are lower at this time. FP investigated usage while with us and found LD and LMS had normal usage.	6/19/00	6/20/00	Closed	Marlene Cross	63
6/19/00	New Hampshire	Bell Atlantic	Diamond Tile	Customer says he is trying to go back to BA and that FP has order in system that will not allow BA to take lines.	We cancelled conversion orders in our system on 6/20. BA should be able to take the lines back without any problem. Had two orders in system that needed to be cancelled. PUC called 6/21 - we cancelled 2nd order.	6/19/00	6/21/00	Closed	Marlene Cross	62
6/23/00	New Hampshire	Bell Atlantic	AMB Custom Structures	Says unable to get repair done - Bell has been out 3 times - says inside problem - inside checks out - frustrated and wants repair done	Bell finally changed our cable pairs. Still could find no problem but also changed line card in C.O. FP will leave trouble ticket open for a couple of days to be sure problem is not going to return.	6/23/00	6/28/00	Closed	Marlene Cross	65
6/23/00	Washington	US West	Charles Yucha	Customer says slammed - PICD to Global Crossing - wants credits for any and all charges	This is a residential USWest customer and therefore they should go through USWest. FairPoint has no residential customers.	6/23/00	6/23/00	Closed	Marlene Cross	64

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
7/ 3/00	Maine	Bell Atlantic	Jodaci	Customer disconnected because of non-pay. This company defaulted under the name of Touche. They were taken over by the original owner, Jodi Brunon. Ms. Brunon is disputing the former charges. Sent a check for \$122.76 for her bill from time of takeover.	FP is still disputing amount still owed by Touche of \$383.60. We have reconnected their service under Jodaci. Customer was without phones for approximately 6 hours. Sandy Thornton (PUC) and Katrina Matuszak also working together on disputed amount. The customer made a payment of \$122.76. Katrina wants to know what we should do about the balance. When you purchase a business you get the assets along with the debt. Customers have a choice to either keep the number of the business and be responsible for any debt associated with it or we can cancel the number and go after the original owner. Usually a customer doesn't want the number disconnected. Received letter from PUC on 7/31 stating that matter is closed and that customer should accept credit and no further action needs to be taken.	7/ 5/00	7/ 5/00	Closed	Marlene Cross	66
7/ 5/00	New York	Bell Atlantic	Leatherstocking Agency Inc.	Customer has tried for months to get bill straightened out. FP showing \$67 balance on bill when all paid up. Called FP and FP said sorry, would get back to her, which we didn't do. Two weeks later received bill, past due had gone from \$67 to \$179.36. On 6/9 spoke with FP, said would not shut off, said \$67 was not due, don't pay it. Now has received bill with \$67 balance on it. Called FP, got automated message, didn't get to speak with anyone. Wants bill straightened out.	Customer never sent in proof of payment (cancelled check) until 7/7. We issued a credit for \$67.00 and a \$25.00 courtesy credit for inconvenience. Customer is behind in their payment and unless we receive a payment, we will have to suspend service.	7/ 5/00	7/11/00	Closed	Marlene Cross	67

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
7/ 7/00	New York	Bell Atlantic	Microchip Entertainment Inc.	Customer states they received solicitation from FP for service back in June, 1999. They state they never heard from FP so eventually they contacted us to cancel any service agreement that was in the works. Customer states at no time did FP provide any service. FP continues to bill \$37.77 and has started collection action. They say they called 877-324-7767 ext. 5188 and talked to Sharon Wilson. Wants FP to cancel/stop billing. FP states we are sorry, we will correct, however to date this still has not been done. They received another bill dated 6/25. FP has still not resolved.	This customer filed a complaint back in April for the same thing. We told PUC at that time we would issue credit. Nothing was ever done inspite of the fact that the customer called on numerous occasions. Donna Amyot has issued a credit to remove this account balance as of 7/7. Hopefully, this will end this. FairPoint was definitely negligent on this one.	7/ 7/00	7/11/00	Closed	Marlene Cross	68
7/ 7/00	New Hampshire	Bell Atlantic	Bare Necessities	Customer says they have had voicemail problems for 3 weeks. Denise Barrett says they are losing business because her clients can not leave messages. She says BA says it's a FP problem and FP says it is a BA problem. Customer doesn't care - just wants it fixed immediately.	Customer converted to us July 5th and lost VM. They called in trouble ticket at 8:52 7/6 and was escalated to a level 3 status in repair as o/o/s. It is unclear why voicemail was deleted. FP says it was on PSR. I pointed out that it should not have been deleted until okayed by customer. FP says they could not reach customer - should not have converted until they heard from customer. Wants to go back to Bell to be able to retrieve old and new messages. Customer says they never really wanted to come to FP in first place. Bell wouldn't take back because of freeze in their system for billing. Bell finally released and should resolve within 3 days. Customer is not happy with Bell or FairPoint. She may reconsider staying with us. Called Mary Ann Lutz at PUC and relayed information on 7/10.	7/ 7/00	7/10/00	Closed	Marlene Cross	69

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
7/21/00	New York	Bell Atlantic	Advantage Financial Services	Customer claims FP charged 14 to 22 cents per minute instead of 8.9 cents she agreed to. Said FP could not explain why they were overbilled. PSC advised we are not to terminate customer until resolved. PSC is holding \$500 in dispute. FP is to advise PSC why customer was overcharged.	We have provided an itemized list to customer and have left several voicemails and fax messages asking for a return call if she has any questions. To date, we have had no response. She was looking for a credit of \$360 and we are willing to give her \$62.67. She is liable for the rest. We have provided copies of bills to PUC that shows LD was correctly charged. We have asked PUC to close this complaint and remove from records.	7/21/00	8/16/00	Closed	Marlene Cross	70
7/28/00	New York	Bell Atlantic	Harold W. Pearson, MD	Customer says he has contacted FairPoint via letter 5/12 and it was never responded to. He wants to know why his bill is so high and is not going to pay until Hal Hauck comes out and explains the bill. He says he has switched back to Bell Atlantic because of our poor service and high bills.	FairPoint was lax in getting back to customer. We asked for LUD on 5/29 but did not receive and did not follow-up. Requested LUD on 7/28. According to LUD customer owes us \$916.03. We had been two months behind in billing for local usage. His 4/16 bill ws for 60 days. LUD shows not numbers being double billed. High usage minutes appear to be modem/fax dial-up lines. Can see no reason to give adjustment or credit. We contacted customer on 8/9 - on vacation - left message we are mailing LUD and will call when he returns to explain bill in detail. Tom Burk to contact. Customer has gone back to Verizon per bump report.	7/28/00	8/10/00	Closed	Marlene Cross	71
8/ 2/00	Washington	US West	Don Carey	Customer has been with Fairpoint for about 4 months. He said he is being charged "city Tax" and he lives in the country. He says he tried to contact FP without any success. Listed as city sales tax @1.4% and city utility user's tax at 5.5%. Wants credit for the amounts he has paid in the last 4 months and removed from future billings.	Customer should not be charged tax. We use a program that has taxes already set up. We are contacting software supplier to have them fix program. We are giving customer \$20.00 credit for taxes and inconvenience. Upon investigating customer's account, we find that an error was made on 5/17. We posted another customer's payment to this account. In essence, we have not had a payment from this customer since 5/17 in the amount of \$17.74. He owes us \$109.95 before adjustment so he has not even paid his bill, let alone taxes. This info was given to PUC.	8/ 2/00	8/ 4/00	Closed	Marlene Cross	72

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
8/ 8/00	New York	Bell Atlantic	Sir Speedy	On 8/4/00 service turned off - customer paid balance 8/4/00 at 12:00 noon - service was not restored in 24 hours. Customer called FP at 914-336-8106 and spoke with Maria. Customer advised rep of the long delay in restoring service - rep claimed Verizon has to restore service they are now on strike. PUC advised customer to expect a response from FP to say when service would be restored - reach # is 914-389-5785. Complaint since FP did not restore service after 24 hours COMPLAINT # 031641	Service was suspended on 8/4 for non-payment. Customer came in at noon on 8/4 and made a payment. FP entered order for restore. Because of the strike, the order did not get worked until late on 8/8 and only after we escalated to Mike Redmond at Verizon. Customer should pay bill on time to avoid suspension and problems.	8/ 8/00	8/ 9/00	Closed	Marlene Cross	73
8/13/00	New York	Bell Atlantic	Grinnell Library Association	Customer used our service for approximately 1 year. Went back to Bell on 1/11/2000. They paid FP bill for Jan-Feb for \$115. Says we should have refunded unused part and we have not. Claims FP does not return calls and does is using stall tactics by saying we changed billing systems. Wants money owed them.	After pulling the customer's bills, it was determined that even with the \$115 payment, the customer still owes FP \$3.96 which we will write off as a courtesy credit. We have put a change in the billing system so that the customer does not receive any future bills.	8/13/00	8/15/00	Closed	Marlene Cross	74
8/16/00	New York	Bell Atlantic	Woostock Harley Davidson	Customer says she contacted FP over 6 months ago to have lines working at new address as of 8/8. Lines have not been transferred due to strike. She says customer service representative told her BA is only doing emergencies. Wants lines put in. Claims they are losing business.	Explained to PUC about strike and Force Majeure. It would not matter if Verizon customer. All pending orders have been affected by strike. 8/8 due date was after strike started. Unfortunate. Have made no guarantees as to when the lines will be put in. It may be after the strike. Sent copy of Verizon letter to PUC.	8/16/00	8/16/00	Closed	Marlene Cross	75

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
8/16/00	New Hampshire	Bell Atlantic	A & B Lumber	Customer says they only have one line working. They were a Conversant customer but now is a FP customer. Wants lines fixed.	This customer signed a contract with Conversant and at the last minute decided to cancel contract. Numbers were already ported to Conversant. If they want to be FP customer, we will have to do a CLEC-to-CLEC conversion, order new loops, and put them on our facilities. This complaint should not have been filed against FairPoint. If their lines are not working, they need to take this up with Conversant.	8/16/00	8/21/00	Closed	Marlene Cross	77
8/16/00	New Hampshire	Bell Atlantic	Hair To Suit	Customer says they have been trying to move from us to Verizon and they can't get the move completed.	Verizon was unable to take this customer back because FP had an open order in the system. FP thought we had cancelled it on 6/14/2000. On Verizon's side, the order did not go through the system but instead the date was pushed out to 12/31/2001. FP contacted Verizon on 8/16 and they advise us it is now cancelled in their system. Hair-To-Suit can now call Verizon's winback and get their service moved back.	8/16/00	8/17/00	Closed	Marlene Cross	78
8/17/00	New York	Bell Atlantic	Water St. Café	Customer states ph rings (short ring) & stops & they can not make outgoing calls. Customer states this has been going on for the past wk. Customer says losing business and contacted senator's office to get immediate repair work done. Customer had to call from home and that hour no one was available. Customer called FP at 890--6611. Customer wants FP to get service restored asap. FP saying strike has backed-up service orders. FP is directed to expedite restoral of service asap. MAIN complaint - FP using strike to delay the repairs.	FairPoint only received & logged trouble report on 8/14. On 8/17 tech repaired a protector on the inside wall terminal. When the tech left the main line was working & there was a problem on the portable ph that the customer identified as a button in wrong position. On 8/18 customer reported portable ph & main line both have dial tone however main line fails to ring. Portable ph rings & the customer is aware of call. She obtained another phone - connected it and determined it was inside wiring which she is taking care of.	8/17/00	8/24/00	Closed	Marlene Cross	76

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
8/18/00	Maine	Bell Atlantic	Johnston Supply	Customer says his bill is not correct and he has been trying to rectify for months. He says is 800 number is being billed the wrong rate.	This customer has been receiving the incorrect rates for both intra/interstate LD outgoing calls and 8xx inbound intrastate calls. The customer was being billed at 15.9 per minute intrastate inbound (8xx), 14.9 per minute intrastate outbound and 9.9 per minute interstate outbound. They should have been billed at 11.9 intrastate inbound (8xx), 9.9 intrastate outbound and 7.9 per minute interstate outbound. The customer had sent a fax in April asking tht the incorrect rate being charged for his 8xx service be corrected but the issue had not been corrected at that time. Credit issued for \$461.52. Customer on vacation and will be contacted on 8/28 by Amy Marsh.	8/18/00	8/23/00	Closed	Marlene Cross	80
8/22/00	Pennsylvania	GTE	Joan Lipinski Insurance	Customer having problems with listing. Also states they have had problem with bill since 05/99. Wants bill adjusted.	Customer was not a FP customer until 4/14/00. We show no records of any concerns or problems with her directory or billing. Customer called on 8/31. Complaint was with GTE. We placed order to correct listing. This complaint needs to be sent to GTE.	8/22/00	8/31/00	Closed	Marlene Cross	84
8/22/00	New Hampshire	Bell Atlantic	Caprice Boutique & Gift Shop	Josephine Negm complains that she was promised a 10% reduction in her telephone costs when she signed on with FP but her bill is 6 times higher. PUC advised her to pay undisputed part of her bill and to send them copies. We are instructed to take no action to collect the disputed portion of the bill pending a conclusion of this case. Josephine indicates frustration in dealing with FP.	We have not incorrectly billed. Customer is receiving 10% off BA price. Her claim of \$24.00 monthly from Bell can not be substantiated unless she can provide previous bills. She says she can't. Her LD is at 7.9 interstate and 8.9 intrastate which is correct. Customer has no legitimate complaint and owes us for amount we have chrged her.	8/22/00	8/30/00	Closed	Marlene Cross	79

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
8/28/00	New York	Bell Atlantic	Sam's Pizzeria	According to Mr. Paquin while complaining about being billed for 5 lines FP blocked his ph service 518-371-7253 last Friday. Even though he pd \$700 FP has not restored service and has caused him loss of business. Wants to get phone service restored immediately and look into why FP never stopped billing for 3 lines for flower shop he closed on 1/00. He is disputing rest of \$1333 bill. We are to call customer, restore service and explain billing.	Proper suspension practices were followed. Customer did not pay promised amount until after suspension was put through. He was abusive and threatening and demanded his lines back up on 8/25. Did not get restored until 8/28. We have agreed to give him credit of around \$300 for disputed charges (not \$650 he claims). Verizon will not take this customer back as they owe Verizon a substantial amount of money.	8/28/00	8/30/00	Closed	Marlene Cross	81
8/29/00	New York	Bell Atlantic	C.C.J.N. & CO.	Referred to case #0030267 (against Broadview Networks), both the customer's phone lines have been released. However, when the customer contacted them again yesterday, they still didn't seem to do anything to bring his phone services back. He hasn't had his phone services since 5/11/00. Mr. Keys at 518-452-2854 and left a message to Mr. Colon at 518-452-1993 yesterday. Customer called them about his phone services. He is still waiting for their response. PSC wants customer's phone lines restored.	This customer is a Broadview facilities customer We have no pending orders for this customer at this time. If the customer is out of service, they need to contact Broadview. FP is unable to convert CLEC facility customers at this time. Asked that this complaint be removed from our records. It should not have been directed to FairPoint.	8/29/00	8/29/00	Closed	Marlene Cross	82

Date Complaint Received	State	LEC	Customer of Record	Complaint	Resolution	Preliminary Response to PUC	Formal Response to PUC	Status of Complaint	Account Manager	PUC Complaint ID Number
9/ 1/00	Pennsylvania	GTE	Suzi's Chocolates and Supplies	Customer claims they were slammed for local and LD. Says their authorization was forged. Customer has taken issue to State Police. Customer has been returned to GTE and AT&T	Bob Marsh (no longer with company) says he did not forge signature. He says that at the time he wanted the contract signed, the owner was out of town so her assistant signed it. We have tried on numerous occasions to contact the assistant (on 9/15 - sales person went there but they were closed). Sent complaint in that it's a "stand-off". Complaint was filed 6/15 but was not sent to FP until 9/1.	9/ 1/00	9/18/00	Closed	Marlene Cross	83
9/ 5/00	Maine	Bell Atlantic	Maine Medical Assessment Foundations	Customer has complaint that FP has not taken over their 800 number. They have not had 800 service for two weeks. Service was with OneStar who says they have released the number.	The number migrated to FairPoint over the weekend. We had to call Global to get them to complete the porting of the number. Customer also wanted ringdown number changed. Everything is working to their satisfaction. Both Global and FairPoint made test calls.	9/ 5/00	9/ 5/00	Closed	Marlene Cross	85
9/15/00	New York	Bell Atlantic	Woodstock Harley Davidson	Customer states requested six months ago to have lines moved to new address as of 8/8. FP said no problem. Customer now in location but with no service. FP says BA only taking medical emergency cases. Customer says has called Maria Madero many times over past 6 months up to 8/15. (This case was received by PUC on 8/15).	Due to the strike, we could not get service moved until 8/23. We did get one new line installed. Verizon could not offer dual service at this location. PUC wanted further clarification on what we had done to get them service. I sent them a letter on 8/16 regarding this complaint, along with a letter from Verizon stating that they were not expediting orders.	9/15/00	9/18/00	Closed	Marlene Cross	86
9/19/00	New York	Bell Atlantic	Midway II	Customer's service turned off - paid bill on 7/21 - still does not have service. Told due to strike - now FP says they will expedite - can't tell him when it will be turned on. Received a bill for August & September and he has no service. Has called Customer Service - promised a callback - never got one - wants service restored - PUC holding \$69 in dispute for Aug. & Sept. bills.		9/19/00		Open	Marlene Cross	87

ATTACHMENT 9

AFFIDAVIT OF BRADY BUCKLEY

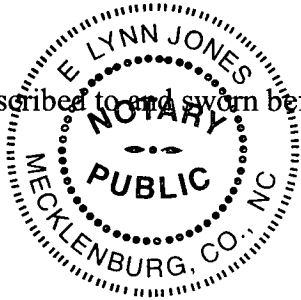
State of North Carolina)
)
County of Mecklenberg)

I, G. Brady Buckley, being duly sworn on oath, depose and say the FairPoint Communications Solutions Corp. has reviewed all Commission rules and regulations and agrees to comply with all applicable, relevant provisions of the Commission rules.

Executed on this ____ day of September, 2000.

By: *G. Brady Buckley*
Name: G. Brady Buckley
Title: President and Chief Executive Officer
Company: FairPoint Communications Solutions Corp.

Subscribed to and sworn before me this 21 day of September, 2000.



E. Lynn Jones
Notary Public

My Commission expires on 2-2-2004.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by (Please Print Clearly)	B. Date of Delivery 1/29/01
	C. Signature X <i>Knott Moore</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No		
FED - 0 2001		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		
1. Article Addressed to: Chad Pifer Fairpoint Communications 6324 Fairview Rd 4th Fl Charlotte NC 28210		
2. Article Number (Copy from service label) 7000 0520 0022 8654 0100		
PS Form 3811, July 1999	Domestic Return Receipt	102595-99-M-1789

PU-2434-00-602

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by (Please Print Clearly)	B. Date of Delivery 12-12
	C. Signature X <i>Jawyn Ma</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		
1. Article Addressed to: Chad Pifer Fairpoint Communications 6324 Fairview Rd 4th Fl Charlotte NC 28210		
2. Article Number (Copy from service label) 7000 0520 0022 8653 3027		
PS Form 3811, July 1999	Domestic Return Receipt	102595-99-M-1789

PU-2434-00-602

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by (Please Print Clearly)	B. Date of Delivery 11-29-00
	C. Signature X <i>J. Alby</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		
1. Article Addressed to: Chad Pifer Fairpoint Communications 6324 Fairview Rd 4th Fl Charlotte NC 28210		
2. Article Number (Copy from service label) 7099 3400 0014 4513 6491		
PS Form 3811, July 1999	Domestic Return Receipt	102595-99-M-1789