

Exhibit MDP-11

Liberty Consulting Group's
FairPoint Post-Cutover Status Report

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April 1, 2009

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The Liberty Consulting Group
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Introduction

At midnight on January 30, 2009, FairPoint Communications Inc. ("FairPoint") began a cutover from the Verizon Communications Inc. ("Verizon") systems to new systems and processes developed by Capgemini. After completion of the cutover process, FairPoint started fully operating on the new systems on February 9. This cutover has been the subject of much scrutiny by the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Public Service Board and Department of Public Service ("Regulators") and their staffs ("Staffs"). This scrutiny has included the engagement of the Liberty Consulting Group ("Liberty") to monitor the preparations for and execution of the cutover and the resulting operations since the cutover.

It is well known at this point that both retail and wholesale customers have experienced a number of problems after the cutover. As FairPoint has noted, the scale of this systems implementation is unprecedented in the telecommunications industry. Verizon operated in northern New England using approximately 600 systems, which were developed and integrated over many decades. FairPoint is now performing the same functions with a much smaller number of newly designed systems using a very different architecture. These systems represent the full range of systems necessary to support telecommunications operations for both retail and wholesale services: pre-ordering, ordering, provisioning, maintenance and repair, network management, billing, equipment inventory, force management, engineering and construction, customer service records, call center support, accounting and finance, marketing and sales, and human resources, among other functions. Furthermore, the cutover conditions agreed to between FairPoint and Verizon required a simultaneous conversion of virtually all the systems involved, without the possibility of a reversion to the Verizon systems as problems arose. Even a system implementation for a single function, such as billing, is very difficult to complete without customer impact. A complete system replacement and implementation of this magnitude was almost certain to encounter significant problems. Some service degradation for customers was inevitable, no matter how much care was taken in:

- Design, development, and testing of the systems and data conversion
- Mapping the business processes and assuring integration of systems with the processes
- Training the employees in the use of the systems and processes.

Compounding the difficulty of the cutover has been the complexity of the transition of the wholesale customers. To Liberty's knowledge, this transition is the first of its kind in a former Regional Bell Operating Company (RBOC) territory, which has necessitated special attention to the market opening requirements of the Telecommunications Act of 1996 for RBOCs. FairPoint has had to replicate a set of specialized interface systems and processes for providing service to Competitive Local Exchange Carriers (CLECs) and

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other wholesale customers, which Verizon developed and has been enhancing for well over a decade. Simply understanding the detailed requirements for these systems and processes has been a monumental task. Furthermore, in contrast to cases of similar transitions in states like Hawaii, there is a much larger and more diverse CLEC marketplace in the three northern New England states. This has required FairPoint to provide a wide range of diverse wholesale products and services at large volumes.

Nevertheless, the magnitude of the disruptions and the impact on the customers from FairPoint's systems transition has been much larger than anticipated, given the steps FairPoint appears to have taken in preparation for cutover and the oversight of this process by the Regulators. Although in Liberty's judgment, the problems encountered so far have not reached the scale of those seen in the Hawaiian Telcom transition, the impact of the problems are still very significant. In particular, the nation's current financial crisis and economic downturn, coming in this case to an already contracting wireline business, have substantially diminished FairPoint's ability to withstand adverse conditions. The effect of financial and economic conditions on the citizens and businesses of the three northern New England states also makes the addition of significant service degradation even more troubling.

Both retail and wholesale customers continue to experience significant problems as of the date of this report. The Staffs have requested Liberty to summarize the current status of the problems and to provide some analysis of the sources of the problems and prospects for their resolution. The purpose of this report is to provide such a summary. The Regulators and Staffs have also asked Liberty eventually to provide an analysis of why the problems have arisen, given the extensive cutover preparations and scrutiny. At this point, such an analysis is not timely; it is correct for the attention of all to focus on finding solutions to resolve the current problems. Certainly, however, solutions to persistent and pervasive problems require an understanding of root causes. Liberty has been raising questions seeking to identify those root causes while observing and analyzing the current problems. Liberty describes the dialogue surrounding some of these questions in the appendix to this report.

Overview of Liberty's Post-Cutover Monitoring Activities

Beginning with the commencement of FairPoint cutover on January 30, Liberty has been involved in a number of activities to monitor the cutover and the post-cutover operations of the new FairPoint systems and processes:

- Observation of cutover operations from the FairPoint Cutover Mission Control Center in Manchester, NH at various times between the takedown of the Verizon systems and the commencement of the Verizon data extraction and transfer on January 30 and the final turning on of the last FairPoint systems on February 9
- Observation of network operations from the FairPoint Network Operations Center (NOC) in Manchester, NH during and after cutover
- Observations of the FairPoint retail and wholesale call centers in Portland, ME and Burlington, VT on five separate occasions during February and March

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- Observation of the operations of the repair call center in Dover, NH in early February
- Face-to-face meetings during February and March with FairPoint and Capgemini executives and employees during seven separate visits to all three northern New England states and on a visit to Capgemini facilities in Atlanta
- Calls and electronic communication with FairPoint and Capgemini executives and employees generally daily
- Meetings, calls, or electronic communication with the Staffs generally daily, and meetings with regulators on at least three separate occasions during February and March
- Monitoring of most of the scheduled status calls between FairPoint and wholesale users, which started on a daily basis in early February and are now held twice a week
- Monitoring of all calls between FairPoint and the Staffs which started on a daily basis in early February and are now held twice a week
- Individual meetings with six different Competitive Local Exchange Carriers ("CLECs") in each of the three states during February and March.

Summary of Liberty's Observations

In reviewing the results of FairPoint's cutover and experience after initiating its new systems and processes, it is important to distinguish between the cutover process itself, which proceeded relatively smoothly, and the post-cutover operations, which have experienced and continue to experience significant problems.

Cutover Process

During the cutover process between January 30 and February 9, the following activities occurred:

- Support of FairPoint's northern New England operations by Verizon operational support systems was turned off on January 30, 2009¹ and Verizon began extracting data from its systems and transmitting the data to FairPoint. The extracted data was transmitted to FairPoint both electronically and through physical media (tapes and discs), conveyed by professional couriers and flown or driven by FairPoint employees from various Verizon locations throughout the United States. This proceeded largely on schedule.
- Upon receipt of the data, FairPoint and Capgemini began converting the data into a form suitable for the new systems and loading the data into these systems. The data conversion process, which continued throughout the first week of February, was a complex process because: (a) the data was extracted from many more Verizon systems than the replacement FairPoint systems and (b) there is not a simple correspondence between the Verizon and FairPoint system architectures.

¹ Some isolated systems were transitioned prior to January 30. These included such systems as the E911 systems in Maine, the LIDB/CNAM database, operator services and directory assistance.

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There were a few delays in this process but the delays amounted to no more than a few hours.

- Beginning January 31 and continuing through February 4, various network management and monitoring systems were turned up. This activity proceeded mainly on schedule and largely successfully. The main challenge appeared to be the time necessary for each of the FairPoint NOC technicians to customize the software settings for alerts and alarms to meet their needs. This result was expected, and did not appear to lead to any significant problems.
- Beginning January 31, FairPoint set up the data network and other hardware necessary for the employees to operate the new systems (including such items as employee workstations, laptops, and other equipment), and configuring Automated Call Distribution (ACD) equipment in the call centers.
- On February 7 and 8, FairPoint and Capgemini ran "shake-out" tests of the new systems with the data from Verizon loaded. The start of this process was slightly delayed by the small delay in the completion of the data conversion and loading. Based on the results of the shake-out tests, FairPoint decided to turn up the main remaining FairPoint systems (those responsible for retail and wholesale pre-ordering, ordering, provisioning, repair, and billing) on the morning of February 9.
- During the "quiet" or "dark" period from January 30 and February 9, while no systems were operating, only emergency ordering and provisioning transactions were allowed. Maintenance and repair was managed manually without system support for both retail and wholesale customers. Beginning on January 23, to account for the fact that orders entered into the Verizon systems would likely not complete until after January 30, FairPoint began embargoing non-emergency retail orders, and asked the wholesale customers to do the same voluntarily. FairPoint recorded the embargoed retail orders manually and held them for manual entry into the new systems after cutover. However, FairPoint provided the capability for wholesale customers to queue embargoed orders in the wholesale ordering interface system to be held until after cutover for automatic entry into the new back-end systems.

Considering the complexity of the tasks involved, Liberty found that these main cutover activities proceeded very smoothly. However, this success was overshadowed by a significant problem involving transitioning customers using Verizon as an internet service provider (ISP) to FairPoint's ISP services. Such customers use these ISP services to access the internet, send and receive e-mail, and maintain personal webpages. This transition occurred largely separately from the main telephone systems transition. It needed to be coordinated with the main transition, however, because FairPoint uses the same ordering and billing systems for these transactions and for the principal telephone service transactions.

Internet customers began reporting problems not long after cutover began. Some of the internet-customer transition problems included missing information for customers of record after December 22, improper forwarding of email messages by Verizon, disconnection of the dial-up access telephone numbers needed by dial-up customers, loss

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of customer e-mail records, and poor communication to the customers by FairPoint about the transition and about the required customer actions for such matters as updating e-mail software. In addition, FairPoint significantly underestimated the number of customer calls to the ISP technical support center; the resulting volume revealed that FairPoint had inadequately scaled the circuit capacity to and staffing of that center and caused calls to overwhelm it. These factors created significant dissatisfaction and complaints by affected customers. Most of the internet problems appeared to have been resolved by the end of February.

Post-Cutover Operations

Despite the relative success of the cutover process itself, FairPoint has experienced and continues to experience significant problems with many of its systems and processes since all the systems became operational on February 9.

The following problems typify those experienced with the post-cutover operations:

- Other FairPoint call centers besides the ISP technical support center have experienced and continue to experience very large call volumes after cutover. Many of the early calls were made by customers affected by the internet customer conversion, who called other FairPoint call centers out of frustration at being blocked from or on hold at the ISP technical support center. Those contacts began to decrease significantly by late February, only to be replaced by other calls. Currently, the largest volumes of calls to the center involve billing inquiries about late bills, billing format, bill changes, and billing errors. Many of the remaining calls concern delays in provisioning services. In addition, the average call handling times are significantly higher than those experienced prior to cutover. These factors have reduced the number of calls answered in less than 20 seconds to a very small percentage, and increased call abandonment rates to very high levels.
- The Regulators in all three states have been receiving an unprecedented number of customer complaints, and have found FairPoint to be unacceptably slow or non-responsive in addressing complaints referred to them by the Staffs. This has hampered the ability of the Staffs to assist customers in resolving their problems.
- FairPoint employees experienced some initial difficulty in navigating the new systems.
- FairPoint's systems experienced slow response times and frequent timeouts to user requests.
- FairPoint employees and wholesale customers have experienced difficulties in creating orders for a number of different order types because of system defects.
- Although FairPoint has continued to operate since cutover using offered provisioning intervals longer than the standard intervals, provisioning has been late for large portion of all confirmed retail and wholesale orders.² Provisioning has been particularly delayed for complex orders.

² The fraction of late-provisioned confirmed orders reported by FairPoint to Liberty is approximately 50 percent. However, Liberty is aware of problems with these reported numbers and believes the actual fraction of late orders is much larger.

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- The bills in the cycles for the first few weeks after cutover have been late for retail and for wholesale customers. Some retail and wholesale customers have reported that they have still not received expected bills. Some retail customers have reported receiving their February bill after the March bill.
- So far, billing errors appear to be relatively isolated in impact. However, given the ordering and provisioning problems, Liberty is concerned that retail and wholesale billing errors are likely to increase once the account changes reach billing. Liberty is also concerned that there may be an impact from the ordering and provisioning problems on the proper updating of key external databases, such as those used for E911 and directory assistance.
- Retail and wholesale customers have reported that orders shown as completed in FairPoint's systems have not in fact been completed.
- Many wholesale customers have raised concerns that recently entered orders are being worked before orders entered into the systems many weeks ago. This is in contrast to FairPoint's promise before cutover that queued wholesale orders would be worked on a "first-in, first-out" basis. Some retail customers have reported similar problems to the Staffs.
- Wholesale customers have experienced a number of additional problems, which these customers have identified as hampering their ability to do business:
 - There have been widespread failures of many pre-ordering transactions, particularly requests for customer service records (CSRs) and for loop qualifications. Initially, many CLECs were unable to perform these transactions at all. Even after CLECs were able to access these transactions, information was often missing or inaccurate in the returned fields.
 - Notification messages about order status (e.g., Firm Order Confirmations, Rejects, Provisioning Completion Notifications, and Billing Completion Notifications) have often been unreliable and inaccurate.
 - Wholesale customers have found it difficult to respond to FairPoint error messages on rejected orders because the messages provide inadequate information about the nature of the problems.
 - Many wholesale customers found problems with format and content of the initial sets of Daily Usage Feed (DUF) files received from FairPoint. Some CLECs are still reporting DUF problems, including missing DUF files for certain message types.
 - CLECs started receiving line loss notifications only within the last couple of weeks. Liberty has not been able to confirm the completeness and accuracy of these reports.
 - FairPoint has been slow in responding to wholesale customer notifications of transaction problems and defects and to inquiries about order status.
 - Wholesale customers have obtained poor service from the FairPoint personnel assigned to help them with problems. CLECs have complained that FairPoint personnel assigned to them are generally poorly trained, have no tools available to them to help with problems, and are ineffective.

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- A number of FairPoint suppliers have reported significant delays in receiving payments. The Staffs have informed Liberty that some of these suppliers have not received payments since November.

The nature and extent of the problems experienced have far exceeded pre-cutover expectations in many areas. In particular, Liberty notes the following expected results versus actual experiences:

1. Data Network Establishment. The process of initializing the systems on the production servers, setting up the connections between the servers with the users, setting up workstations for the users, creating firewalls and network security protocols, and completing other steps to establish the data network is complex and requires fine tuning after initial establishment. As a result, it was expected that users of the new systems might experience some difficulties in connecting to and maintaining access to the systems in the first few days after the systems were turned on. Such experiences did occur for a number of systems, notably in the FairPoint call centers, in the first few days after cutover. In particular, firewall and security procedures inappropriately blocked some inter-application transactions, and there were difficulties in setting up work stations, laptops, and other personal computing devices. However, most of these problems appeared to decrease significantly after the week of February 9, as expected.
2. System Defects. After FairPoint and Capgemini completed system testing prior to cutover, a limited number of system defects were known to exist, requiring manual workarounds. In addition, despite the extensive testing performed, it was expected that additional defects and design problems were likely to appear. However, these defects were expected to occur mainly for less common transactions or less frequently encountered circumstances. Instead, FairPoint has uncovered significant system defects even for common retail and wholesale transactions (such as accessing customer account information and ordering simple services). Capgemini has identified and fixed a number of them, but many significant defects hampering retail and wholesale transactions remain and others continue to be identified. A number of system design improvements have been and continue to be identified.
3. Data Problems. FairPoint and Capgemini performed simulations and tests of the conversion of the extracted Verizon data using several rounds of test data extracts received from Verizon. These tests were performed to assure that the converted data was as complete as possible and properly mapped into the new systems. Through this testing, FairPoint and Capgemini identified a number of gaps in the Verizon data. They understood these gaps to be inherent in the data and expected them to be filled in after cutover. In addition, FairPoint and Capgemini concluded that it was not feasible to convert all the data automatically, and therefore established manual processes to convert this data. Some of those processes were expected to continue for a number of weeks after cutover. In addition, given the extent and complexity of the Verizon data and extraction process and the fact that Verizon often uses multiple data sources for the same data types, it was anticipated that additional data defects and incorrect data mapping would be

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uncovered at cutover. However, the impact of these data issues should have been relatively limited, affecting such transactions as ordering, trouble reporting, and billing on only a few accounts. Instead, data problems have affected a large number of accounts. These unexpected problems have included such issues as incorrect data mapping and misinterpretation of Verizon data, and have had a major impact on such critical functions as loop qualification, validation of customer addresses, assignment of telephone numbers, and identification of serving wire centers for customers.

4. Flowthrough. Prior to cutover, FairPoint stated that its systems were designed to achieve a 90 percent flowthrough rate. That is, 90 percent of the transactions were designed to proceed from transaction initiation (such as order entry) to (a) full completion of the transaction, including such steps as billing and database updating, or (b) the point at which field provisioning would commence. The remaining 10 percent of transactions would require some form of manual intervention to achieve completion. Nevertheless, given the post-cutover issues expected to cause orders to "fall out" and require manual intervention, FairPoint anticipated that the actual realized flowthrough rate would be 60 percent immediately after cutover. FairPoint designed its temporary staffing and post-cutover processes to handle the corresponding 40 percent fallout rate. Liberty has requested FairPoint to provide the actual flowthrough rate after cutover, but has not received this information. However, it is apparent that the temporary staffing and processes have been inadequate to handle the significant rate of order fallout in the systems. The lack of sufficient staffing and processes has produced extensive (in some cases, multi-week) delays in order processing. This weak performance may result from a realized order flowthrough rate significantly less than expected; *i.e.*, a consequently large fallout rate. However, it may also result from inadequately sized or trained staffing. Liberty believes that both reasons are likely to be contributing to the provisioning problems.
5. User Proficiency. FairPoint provided to its employees training in the use of the new systems. However, despite the training classes, FairPoint anticipated that it would take several weeks before the employees achieved full proficiency in system use. In fact, the time necessary to achieve full proficiency is taking even longer than expected. At this point, two months after cutover, many employees have not been able to achieve the same proficiency in the new systems as they had with the Verizon systems. This gap appears to be contributing to longer call handling times in the FairPoint call centers, longer provisioning intervals, and other similar behaviors. At this point it is not clear how much of the capability gap has been caused by inadequate training, insufficient time to practice with the new systems prior to cutover, the short time some of the employees have been in their positions, or system-use inefficiencies caused by system design.
6. Order Backlog. It was expected that the dark period order embargo would produce a significant backlog of orders, therefore stressing the new systems and processes after cutover. Actual experience has been even more severe than expected. Many retail and wholesale orders remain "stuck" in the FairPoint systems. They are not getting provisioned, even though, as noted, many customers have observed that newer orders are getting worked.

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7. Billing Delays. The dark period during which the Verizon systems were turned off and the FairPoint systems were not yet turned on meant that FairPoint would be able to collect usage data but not to process bills. As a result, both retail and wholesale bills would be delayed. FairPoint's initial transitional billing schedule called for the first retail and wholesale bills to be completed and sent out about two weeks late, with shorter delays in the subsequent cycles, and a return to the normal billing schedule before the end of February. Instead, the first cycle was delayed an extra week. Ultimately, the normal billing schedule was not achieved until early March. The additional delays occurred largely because FairPoint spent a considerable amount of time reviewing bills to verify correct numbers, text, and layout. This extended delay and the overlapping of the delayed bills with the next billing cycle caused considerable confusion for retail customers. This fact combined with the changed billing format and some billing errors contributed significantly to call volumes to the FairPoint call centers.
8. Business Processes. Prior to cutover, FairPoint undertook an extensive effort to document well over 1,000 business processes. However, it was expected that: (a) employees would still require some time to become adept at using new processes in conjunction with the new systems, and (b) gaps in process documentation would be uncovered. Actual experience since cutover demonstrates that many business processes appear not to be followed by the employees or are otherwise not working properly. This phenomenon has been particularly severe for those processes that Verizon performed out of the northern New England region prior to FairPoint's acquisition of the northern New England properties. These functions include wholesale operations and a number of circuit design functions, among others. Problems with these processes have contributed significantly to the poor experience in wholesale operations and to slow retail and wholesale provisioning.
9. Call Center Volumes. FairPoint expected large call volumes initially to its call centers, particularly regarding billing. However, FairPoint significantly underestimated how long large call volumes would last, and it is not clear that FairPoint properly anticipated how large the call volumes would be. Actual call volumes have continued at a high level for the two months since cutover, with no evidence that the number will decrease anytime soon. FairPoint is counting on a significant decrease in the number of calls related to bill inquiries over the next few months to bring its service levels more in line with expectations. It remains to be seen if this decrease in bill-related calling materializes as quickly as FairPoint is anticipating. Furthermore, average call handling times remain significantly longer than those prior to cutover. Call handling times must return to pre-cutover levels for FairPoint to achieve pre-cutover service levels with its current call center staffing.
10. Communications Problems. Given the complexities involved, it was likely that both internal and external communication would be difficult, but manageable. However, problems with communication have been significant, causing customer confusion. The problem has been particularly acute for wholesale and internet customers. In addition, there is evidence of poor internal communications in some cases, with the result of delays in diagnosing and resolving problems.

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At a higher level, it was predictable that FairPoint would have a hard time transitioning from operating as a small rural telecommunications service provider to a major provider, particularly before the addition of the expertise from the Verizon managers and employees at the close of the transaction. However, FairPoint has apparently underestimated the difficulty of this transition and the need for internal corporate culture and behavioral changes to succeed. The post-cutover crisis has demonstrated the need for FairPoint to respond quickly and effectively, but the company has often fallen short in achieving this result. FairPoint and Capgemini have had some success in finding solutions to particular systems and process problems, but many remain. They are currently focusing especially on:

- Fixing system defects and data mapping errors
- Providing additional training and other support for employees to improve their use of the systems and processes
- Correcting process problems
- Adding resources to manually “push” orders delayed in provisioning.

FairPoint’s ultimate success appears to be hampered by ad hoc internal processes and communications channels and the lack of systematic approaches to addressing the problems. For example:

- There does not appear to be a systematic and well-defined process for resolving retail customer complaints referred to FairPoint by the Regulators and Staffs. The customers have not been contacted in a timely fashion, and Staffs have found it difficult to obtain status information.
- Similarly, problems that CLECs report through system trouble tickets or other contacts with FairPoint do not appear to be systematically resolved. The CLECs are often unable to receive timely and useful information about the status of problem resolution.
- FairPoint does not appear to be systematically analyzing issues reported through the regulatory complaint process and the CLEC system trouble ticket process to determine their root causes and to transmit the information about these problems to the system and process owners to fix the underlying defects. Liberty has often found itself in the position of communicating problems found in discussions with CLECs to the Capgemini developers to implement fixes.
- Internal FairPoint status reports shared with Liberty and the Staffs have contained instances of faulty or misleading information.
- FairPoint too often has reacted to existing problems rather than proactively testing for unknown problems and thus prevent errors. In contrast, FairPoint expended considerable effort to test for billing accuracy before releasing the initial retail bills, at the expense of further delaying these bills. This may have helped to minimize the number of billing errors. FairPoint could benefit from a similar approach applied in other functional areas.

Senior leadership has continued to make statements that understate problem severity and overstate success in fixing them. This behavior began with an overly optimistic and unrealistic cutover schedule that was frequently revised prior to FairPoint’s notice of cutover readiness in late November and has continued since cutover with premature

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announcements that problems have been fixed or will be fixed "by next week." FairPoint has also frequently revised its interim post-cutover provisioning interval guide to extend the time for FairPoint to return to normal provisioning intervals. Liberty has also observed instances where the senior leadership has been too willing to accept positive reports of progress rather than challenging the reports or seeking more detailed supporting information.

As further illustration of FairPoint's management problems, Liberty has noted that the company has been extremely slow to identify problem breadth and root causes, to recognize the nature and level of required response, and to develop coherent, comprehensive plans and schedules. FairPoint's initial response on March 24 to requests from the Regulators for a "stabilization" or "recovery" strategy and plan for returning to normal operations was incomplete and inadequate.³ FairPoint appears to be creating this plan in response to the Regulators rather than developing it proactively to respond to and resolve the current crisis, as would be expected from a mature telecommunications provider of FairPoint's size and scope. In addition, given the extent of the current problems and the length of time it will take to resolve them, FairPoint has given insufficient attention to implementing measures to mitigate the impact of the problems on retail and wholesale customers.

These problems may result from the lack of unified executive oversight. FairPoint senior leadership in northern New England has been focused mainly on the management of the operations and reacting to many problems that have arisen. There have been insufficient resources and attention to guiding the analysis, planning, and execution of structured, programmatic actions to expedite FairPoint's return to a normal business operating environment. FairPoint has recently announced a management change to split leadership of the northern New England operations in an apparent attempt to rectify this deficiency by assigning the responsibility of developing and executing the stabilization plan to one of the executives and most of the operating responsibilities to the other. However, this change merely begs the question as to where the ultimate authority and responsibility to manage FairPoint through the current crisis lies.

Summary and Conclusions

FairPoint experienced some success in the execution of the cutover process itself; the overriding conclusion, however, must be that the new FairPoint systems and processes have been creating significant service problems since cutover, both for retail and wholesale customers. FairPoint and Capgemini continue to work diligently to fix system and process defects and system design issues, improve the skill of employees in using the systems and processes, and provide additional support to manually move forward the orders delayed in provisioning. However, it appears that it will take considerable time to reach a normal business operating environment, probably longer than the end of the second quarter of 2009, which is the date currently projected by FairPoint.

³ FairPoint issued an updated version of its Stabilization Plan on April 1, but Liberty was unable to complete a thorough review of the updated version before the writing of this report.

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In view of this situation, Liberty notes some key outstanding high-level issues that need immediate attention:

1. There is currently a lack of unified senior executive leadership at FairPoint to guide the planning and execution of structured, programmatic actions to expedite its return to a normal business operating environment. Economic and financial conditions do not give FairPoint sufficient time to continue without strong, unified, and experienced senior leadership of the response and recovery efforts. There are a number of ways to rectify this problem, ranging from using outside resources with expertise in similar situations to help FairPoint with the analysis and problem resolution up to and including permanent executive level change.
2. As the Regulators have already requested, FairPoint needs to produce a realistic plan, including interim milestones, for resolving the current problems and achieving a normal operating environment. FairPoint produced a first draft of such a plan last week, but there is much more detail that must be added to that initial draft before it constitutes an adequate plan.
3. FairPoint needs to provide accurate and auditable measures of the operational success of its systems and processes to use in tracking FairPoint's progress in approaching operational normalcy. Currently it appears that some of the results (e.g. provisioning completion rates) reported internally by FairPoint are not accurate.
4. Given the length of time it will take to achieve normalcy and the current significant adverse impact on customers, FairPoint needs to develop and implement interim steps to mitigate the impact on customers while working to fix the systems and processes.

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Appendix

Some Questions about the Potential Causes of the Current Problems

Liberty has not yet completed a root cause analysis of why the widespread problems are occurring despite FairPoint's extensive preparations and training; nevertheless, a number of key concerns have surfaced:

- Would a better systems cutover agreement between Verizon and FairPoint have averted the current problems?
 - Could the cutover of the systems been more staggered rather than simultaneous?
 - Could the Verizon systems have continued to operate in parallel with the FairPoint systems, thereby allowing a return to the Verizon systems when problems arose? This is similar to the approach taken on a much smaller scale for the cutover of the E911 systems in Maine.
- Was the initial systems planning adequate?
 - Given the fact that FairPoint's staff and expertise in several key areas was limited prior to the close of the transaction with Verizon to acquire the northern New England properties, were the original system functional requirements provided by FairPoint to Capgemini adequate?
 - Should the business processes have been developed earlier in order to help with the system functional requirements?
- Were the systems, data conversion, and process testing conducted effectively?
 - Was user-acceptance testing initiated prematurely; was it adequate to uncover design defects?
 - Should the final systems testing been delayed until a full converted data and product set was available for the testing?
 - Did Capgemini's use of multiple testing environments to speed up the testing cause problems in creating final production systems without code corruption?
 - Would the many wholesale issues encountered have been avoided with a more complete and robust CLEC testing environment?
 - Should more flowthrough testing have been conducted prior to cutover?
 - Should business simulation testing have been performed with a full converted data and product set?
 - Were all the expected test outcomes adequately defined for the testers?
 - Could the information flow between Verizon and FairPoint have been improved to avoid some of the data misinterpretations which have occurred?
- Was there sufficient staffing and training?
 - Was there sufficient training in the business processes; did lack of training cause many processes not to be followed?
 - Did FairPoint do a sufficient job of staffing and training in functions, such as wholesale operations and others, that Verizon had been providing outside of the northern New England region?

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- Was there sufficient time for FairPoint employees to practice using the systems before cutover?