FORM 8-K

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FAIRPOINT COMMUNICATIONS INC

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

OMB APPROVAL

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FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **August 1, 2006**

FairPoint Communications, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**333-56365**	**13-3725229**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

521 East Morehead Street, Suite 250, Charlotte, North Carolina	**28202**
(Address of principal executive offices)	(Zip Code)

Registrant' s telephone number, including area code **(704) 344-8150**

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On August 1, 2006 FairPoint Communications, Inc. (the "Company") issued a press release reporting the financial results for its second quarter ended June 30, 2006 (the "Earnings Announcement"). A copy of the Earnings Announcement is attached to this Current Report as Exhibit 99.1 and is incorporated herein solely for purposes of this Item 2.02 disclosure.

On August 1, 2006, the Company held a conference call to discuss the financial results of the Company for its second quarter ended June 30, 2006. A copy of the transcript (the "Transcript") of the call is attached to this Current Report as Exhibit 99.2 and is incorporated herein solely for purposes of this Item 2.02 disclosure. The Transcript has been selectively edited to facilitate the understanding of the information communicated during the conference call.

Item 7.01 Regulation FD Disclosure.

A copy of the Earnings Announcement is being furnished by being attached hereto as Exhibit 99.1.

A copy of the Transcript is being furnished by being attached hereto as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

Exhibit Number	Description
99.1	Earnings Announcement
99.2	Transcript

The information in this Current Report, including the exhibits attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of such section. The information in this Current Report, including the exhibits, shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FAIRPOINT COMMUNICATIONS, INC.

By: /s/ John P. Crowley

Name: John P. Crowley

Title: Executive Vice President and Chief Financial Officer

Date: August 3, 2006

FOR IMMEDIATE RELEASE

FAIRPOINT REPORTS RESULTS FOR THE SECOND QUARTER OF 2006; INCREASES CUMULATIVE CASH AVAILABLE FOR DIVIDENDS TO $39.3 MILLION

CHARLOTTE, N.C. (August 1, 2006) – FairPoint Communications, Inc. **(NYSE:FRP)** ("FairPoint" or the "Company") today announced its financial results for the second quarter ended June 30, 2006. The Company announced that it generated $25.5 million of Cash Available for Dividends (as defined herein) during the second quarter compared to dividends paid during the quarter of $13.8 million and it increased its Cumulative Cash Available for Dividends (as defined herein) to $39.3 million at June 30, 2006, up from $27.6 million at March 31, 2006, an increase of 42%, primarily due to the non-recurring gains on non-core asset sales. Additional highlights for the second quarter included:

- Revenues for the second quarter of 2006 decreased $1.0 million or 1.5% over the second quarter of 2005. Excluding the impact of operations acquired in 2005 and certain non-recurring revenues, revenues increased $0.5 million or 0.9% compared to the second quarter of 2005.
- Adjusted EBITDA (as defined herein) for the second quarter of 2006 was $33.2 million versus $33.8 million for the same period last year.
- The Company completed the sale of its investment in two non-core assets resulting in gains of $16.4 million which were added to Cumulative Cash Available for Dividends in the second quarter. This increase in Cumulative Cash Available for Dividends was partially offset by an increase in capital expenditures in the quarter.
- Earnings per share on a fully diluted basis for the second quarter of 2006 were $0.43. Gains on the sale of non-core assets contributed approximately $0.30 to earnings per share for the second quarter of 2006. Earnings per share in the second quarter of 2005 were $0.16.
- High speed data ("HSD") penetration increased to 21.2% of voice access lines as of June 30, 2006, compared to 16.6% as of June 30, 2005 and 18.6% as of December 31, 2005.
- At June 30, 2006, access line equivalents (voice access lines and HSD subscribers, which include DSL, cable modem and wireless broadband) totaled 292,910 compared to 287,723 at June 30, 2005. Including only lines owned for the full year, access line equivalents increased 0.9%, primarily due to an increase in HSD subscribers.

"FairPoint' s second quarter results once again illustrate steady progress on many aspects of our corporate strategy," said Gene Johnson, Chairman and CEO of FairPoint. "For the quarter, we added nearly 3,000 DSL subscribers, demonstrated revenue stability in our core business and exhibited excellent progress on the billing conversion. More recently, we showed momentum in our M&A strategy with the completion of the Cass County purchase and the Unite announcement."

Johnson continued, "Our balance sheet shows the benefit of non-core asset sales which brought our Cumulative Cash Available for Dividends to a new high. All of our financial and operational achievements support our goals of Company growth and increased shareholder value."

Results for the three month period ended June 30, 2006

Consolidated revenues for the three months ended June 30, 2006 were $64.2 million, a decrease of $1.0 million or 1.5% compared to the three months ended June 30, 2005. Excluding the impact of operations acquired in 2005 and certain non-recurring revenues, revenues increased

$0.5 million or 0.9% compared to the second quarter of the prior year. Revenues in the second quarter of 2006 included negative interstate revenue settlement true-ups of $1.0 million related to prior years. Revenues in the second quarter of 2005 also included certain non-recurring items of $1.9 million consisting of positive interstate revenue settlements related to prior years. The combination of these two revenue settlements resulted in a $2.9 million decrease in interstate revenue in the second quarter of 2006 compared to the second quarter of 2005. Excluding these revenue settlements and the two acquisitions made in 2005, the increase in revenues of $0.5 million is primarily the result of increases in data and internet services revenue of $0.8 million, long distance revenue of $0.7 million, other services revenue of $0.5 million and local service revenue of $0.4 million. These increases were partially offset by a decrease in interstate access revenue of $1.0 million and a decrease in intrastate access revenue of $0.9 million.

The increase in data and internet services revenue was primarily driven by an increase in the number of HSD subscribers which, including only lines owned for the entire year, increased by 10,387 from June 30, 2005. The Company sold the operations of a subsidiary in the second quarter of 2006, which resulted in a reduction in wireless broadband subscribers of approximately 1,200. Long distance revenue increased primarily as a result of increases in the number of subscribers and minutes of use in addition to improved product and bundles pricing. Other services revenue increased due to an increase in directory revenue and local service revenue increased primarily due to an increase in local interconnection revenue. Intrastate access revenue declined primarily due to a decrease in access rates and a decrease in minutes of use compared to the second quarter of 2005. The rate decrease is primarily due to intrastate rate reductions implemented in Maine in the second quarter of 2005. Intrastate revenues are expected to continue to decline.

Operating expenses (excluding depreciation and amortization) increased $1.0 million or 2.7% compared to the second quarter of 2005. Excluding the impact of operations acquired in 2005, operating expenses increased $0.1 million or 0.3%. The primary drivers of this increase were an increase in employee compensation expenses of $0.4 million, an increase in expenses related to HSD and long distance services of $0.4 million, an increase in billing expenses of $0.3 million, an increase in network operations expenses of $0.2 million, an increase in lease expenses of $0.2 million and increases in various other corporate related expenses. These increases were offset by a decrease in consulting expenses of $1.7 million due to expenses incurred in 2005 related to the Company' s preparation for compliance under Section 404 of the Sarbanes-Oxley Act.

Also included in operating expenses are expenses associated with stock based compensation which are non-cash expenses. Total stock based compensation expenses for the three months ended June 30, 2006 and June 30, 2005 were $0.7 million and $0.7 million, respectively. Depreciation and amortization expense increased $0.2 million compared to the same period in 2005.

Income from operations decreased $2.2 million to $14.6 million for the three months ended June 30, 2006 compared to the three months ended June 30, 2005. This decrease was principally driven by the decrease in revenues and increases in expenses noted above.

Earnings per share on a fully diluted basis were $0.43 for the three months ended June 30, 2006, compared to earnings per share on a fully diluted basis of $0.16 for the same period in 2005. This increase is primarily the result of non-recurring gains on the sale of non-core assets in the second quarter of 2006 which contributed approximately $0.30 to earnings per share in the quarter.

Adjusted EBITDA for the three months ended June 30, 2006 was $33.2 million, compared to Adjusted EBITDA of $33.8 million for the same period in the prior year.

Cash Available for Dividends of $25.5 million was generated during the three months ended June 30, 2006, up from the $18.4 million generated in the three months ended March 31, 2006. This increase was primarily due to non-recurring gains recognized on the sale of two investments during the quarter, partially offset by an increase in capital expenditures during the quarter.

Results for the six month period ended June 30, 2006

Consolidated revenues for the six months ended June 30, 2006 were $129.0 million, an increase of $2.1 million or 1.7% compared to the six months ended June 30, 2005. Excluding the impact of operations acquired in 2005 and certain non-recurring items, revenues increased $1.2 million or 1.0% compared to the prior year. Revenues in the first six months of 2006 included negative interstate revenue settlement true-ups of $1.0 million related to prior years. Revenue in the first six months of 2005 included certain non-recurring items of $1.9 million consisting of positive interstate revenue settlements related to prior years. The combination of these two revenue settlements resulted in a $2.9 million decrease in interstate revenue in the six month period ended June 30, 2006 compared to 2005. Excluding these revenue settlements and the two acquisitions made in 2005, this increase of $1.2 million, excluding acquisitions and non-recurring items, is primarily the result of increases in data and internet services revenue of $1.6 million, long distance revenue of $1.3 million, other services revenue of $0.9 million, local service revenue of $0.5 million and a slight increase in USF revenue. These increases were partially offset by a decrease in intrastate access revenue of $2.5 million and a decrease in interstate access revenue of $0.8 million.

The increase in data and internet services revenue was primarily driven by an increase in the number of HSD subscribers. Long distance revenue increased primarily as a result of increases in the number of subscribers and minutes of use in addition to improved product and bundles pricing. Other services revenue increased due to an increase in directory revenue. Local service revenue increased due to an increase in local interconnection revenue and the continued rollout of new bundled packages. Intrastate access revenue declined primarily due to a decrease in access rates and a decrease in minutes of use compared to the six months ended June 30, 2005. The rate decrease is primarily due to intrastate rate reductions implemented in Maine in the second quarter of 2005. Intrastate revenues are expected to continue to decline.

Operating expenses (excluding depreciation and amortization) increased $4.1 million or 6.1% compared to the six months ended June 30, 2005. Excluding the impact of operations acquired in 2005, operating expenses increased $1.8 million or 2.7%. The primary drivers of this increase were an increase in network operations expenses of $0.8 million, an increase in billing expenses of $0.8 million, an increase in audit and tax related expenses of $0.6 million, an increase in employee compensation expenses of $0.4 million, an increase in lease expenses of $0.4 million and an increase in expenses related to HSD and long distance services of $0.3 million. These increases were offset by decreases in consulting expenses of $1.8 million.

Also included in operating expenses are expenses associated with stock based compensation which are non-cash expenses. Total stock based compensation expenses for the six months ended June 30, 2006 and June 30, 2005 were $1.3 million and $1.1 million, respectively. Depreciation and amortization expense increased $0.9 million compared to the same period in 2005.

Income from operations decreased $2.9 million to $30.1 million for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. This decrease was principally driven by the increases in expenses noted above, net of increases in revenues.

Earnings per share on a fully diluted basis were $0.60 for the six months ended June 30, 2006, compared to earnings per share on a fully diluted basis of $0.57 for the same period in 2005. This increase is primarily the result of non-recurring gains on the sale of non-core assets in the second quarter of 2006.

Adjusted EBITDA for the six months ended June 30, 2006 was $66.4 million, compared to Adjusted EBITDA of $66.2 million for the same period in the prior year.

The Company finished the six month period ended June 30, 2006 with a Cumulative Cash Available for Dividends balance of $39.3 million, up from $27.6 million at March 31, 2006.

Operational highlights

- Total HSD subscribers increased by 2,186 in the second quarter of 2006 to 51,331 at June 30, 2006. HSD penetration increased to 21.2% of voice access lines compared to 16.6% at June 30, 2005 and 18.6% at December 31, 2005. Excluding the sale of certain wireless broadband subscribers in the second quarter, the Company added over 3,300 HSD subscribers in the second quarter of 2006.

- DSL average revenue per subscriber ("ARPU") was $40.21 for the second quarter of 2006. The Company' s quarterly DSL ARPU has remained fairly consistent over the past year.

- At the end of the second quarter of 2006, DSL penetration was 19.5% of voice access lines, compared to 15.2% at the end of the second quarter of last year.

- Interstate long distance penetration as of June 30, 2006 increased to 46.8% of voice access lines compared to 41.7% at the end of the second quarter of 2005 and 44.5% at December 31, 2005, primarily as a result of the Company' s continuing efforts to sell a voice bundled offering consisting of local voice, long distance and enhanced calling services.

- Total access line equivalents were 292,910 as of June 30, 2006, representing an increase of 2,228 or 0.8% from March 31, 2006. Total access line equivalents as of June 30, 2006 increased 1.8% compared to June 30, 2005 and increased 0.9% including only lines owned for the full year.

- Voice access lines, excluding acquired lines in 2005, increased during the second quarter of 2006 by 105 to 232,301 compared to March 31, 2006. Voice access lines, excluding acquired lines, as of June 30, 2006 decreased 3.3% compared to June 30, 2005. The increase in access line losses compared to last year is primarily due to the previously disclosed non-pay disconnect issue in 2005. As a result of this issue, the Company was not timely disconnecting customers for non-pay during the second quarter of last year. This problem has been corrected and in 2006 the Company is disconnecting customers under normal operating procedures.

- The on-going MACC billing conversion is on plan. The Company has completed the conversion of approximately 36% of the access lines billed on the ICMS platform to the MACC Customer Master platform. The conversion of the remaining companies currently on the ICMS platform is expected to be completed by September 9, 2006 with the remainder of the companies expected to be converted by early 2007. The total cost of the conversion is now estimated to be approximately $4.5 million, significantly below the original estimate of $5.5 million.

- In April 2006, the Company received proceeds of $26.9 million from the liquidation of the Rural Telephone Bank. The Company recorded a gain of approximately $4.1 million in the second quarter of 2006. The gain on this transaction increased the Company' s Cash Available for Dividends by $4.1 million in the second quarter.

- On May 1, 2006, the Company received total proceeds of $16.9 million from the sale of its investment in Southern Illinois Cellular Corp. The Company received a portion of the sale proceeds, approximately $2.1 million, immediately prior to closing in the form of a dividend which was recorded as dividend income on the Consolidated Statement of Operations. The Company also recorded a gain on the sale of the investment in the amount of $10.2 million. In total, the sale of this investment increased the Company' s Cash Available for Dividends balance by $12.3 million in the second quarter. In addition to the amounts discussed above, approximately $2.6 million will be held in escrow and the Company will not record the gain on this portion of the transaction until the proceeds are received.

Access Line Equivalents

	6/30/2006	3/31/2006	6/30/2005	% change 6/30/06 to 6/30/05
Access lines owned for full year:				
Voice access lines	232,301	232,196	240,311	(3.3%)
HSD subscribers	49,672	46,450	39,285	26.4%
Subtotal: Access line equivalents	281,973	278,646	279,596	0.9%

Access lines acquired or disposed of during year(1):				
Voice access lines	9,278	9,341	6,502	N/A
HSD subscribers	1,659	2,695	1,625	N/A
Subtotal: Access line equivalents	10,937	12,036	8,127	N/A
Total access line equivalents	292,910	290,682	287,723	1.8%

(1) Represents voice access lines and HSD subscribers for companies owned less than twelve months. The Company completed the acquisition of Berkshire Telephone Corporation in the second quarter of 2005 and the acquisition of Bentleyville Communications Corporation in the third quarter of 2005. The Company sold the operations of a subsidiary, Fremont Broadband, LLC, during the second quarter of 2006.

Cash Available for Dividends

The Company' s credit facility contains a covenant that limits its ability to pay cash dividends on its common stock to the amount of Cumulative Cash Available for Dividends that accumulates from April 1, 2005 through the end of the Company' s most recent fiscal quarter for which financial statements are available and a compliance certificate has been delivered (which, as of June 30, 2006, was the quarter ended March 31, 2006). Under this covenant, as of June 30, 2006, the Company had Cumulative Cash Available for Dividends of $27.6 million, from which it paid a dividend on July 21, 2006 of $13.8 million, resulting in a carryover of $13.8 million of Cumulative Cash Available for Dividends. In addition to this $13.8 million carryover, based on the Company' s financial performance through June 30, 2006 as described in this earnings release, the Company generated an additional $25.5 million of Cash Available for Dividends and as a result expects to have approximately $39.3 million of Cumulative Cash

Available for Dividends from which to declare and pay its next dividend. Cash Available for Dividends corresponds to the term "Available Cash" in the Company' s credit facility and Cumulative Cash Available for Dividends corresponds to the term "Cumulative Distributable Cash" in the Company' s credit facility.

Outlook

The Company estimates that full year capital expenditures in 2006 will be approximately $29.5 to $31.5 million. This estimate of capital expenditures includes the anticipated capital costs of the MACC billing conversion and the anticipated capital expenditures related to the previously announced acquisition of the assets of Cass County Telephone. The Company expects capital expenditures will be approximately $9 to $10 million in the third quarter and approximately $3 to $4 million in the fourth quarter.

The Company continues to estimate that interest expense for 2006 will be approximately $36 to $38 million. This estimate takes into account the acquisition of Cass County Telephone, the proceeds received from the sale of the Company' s investment in Southern Illinois Cellular Corp. and the proceeds received from the liquidation of the Rural Telephone Bank.

The Company also expects that the dividends paid to its shareholders in 2006 will be treated as a qualified dividend for tax purposes, partially due to gains recognized on the non-core asset sales in 2006. The Company will continue to evaluate the tax treatment of its dividends as the year progresses.

Conference Call and Webcast

As previously announced, FairPoint will host a conference call and simultaneous webcast to discuss its second quarter results at 8:30 a.m. EDT on August 1, 2006. Participants should call (888) 253-4456 (US/Canada) or (706) 643-3201 (International) and request the FairPoint Communications call. A telephonic replay will be available for anyone unable to participate in the live call. To access the replay, call (800) 642-1687 and enter the confirmation code 3168081. The recording will be available from Tuesday, August 1, 2006 at 1:00 p.m. through Tuesday, August 8, 2006 at 11:59 p.m. (EDT).

A live broadcast of the earnings conference call will be available via the Internet at www.fairpoint.com under the Investor Relations section. An online replay will be available beginning at 1:00 p.m. (EDT) on August 1, 2006 and remain available for one year. During the conference call, representatives of FairPoint may discuss and answer one or more questions concerning FairPoint' s business and financial matters. The responses to these questions, as well as other matters discussed during the conference call, may contain information that has not been previously disclosed.

Non-GAAP Financial Measures

EBITDA (as defined herein), Adjusted EBITDA and Cash Available for Dividends are non-GAAP financial measures (i.e., they are not measures of financial performance under generally accepted accounting principles) and should not be considered in isolation or as a substitute for consolidated statements of operations and cash flows data prepared in accordance with GAAP. In addition, the non-GAAP financial measures used by FairPoint may not be comparable to similarly titled measures of other companies. For definitions of and additional information regarding EBITDA, Adjusted EBITDA and Cash Available for Dividends, and a reconciliation of such measures to the most comparable financial measures calculated in accordance with GAAP, please see the attachments to this press release.

FairPoint believes EBITDA is useful to investors because EBITDA is commonly used in the telecommunications industry to analyze companies on the basis of operating performance, liquidity and leverage. FairPoint believes EBITDA allows a standardized comparison between companies in the industry, while minimizing the differences from depreciation policies, financial leverage and tax strategies.

Certain covenants in FairPoint' s credit facility contain ratios based on Adjusted EBITDA and the restricted payment covenant in FairPoint' s credit facility regulating the payment of dividends on its common stock is based on Adjusted EBITDA. If FairPoint' s Adjusted EBITDA were to decline below certain levels, covenants in FairPoint' s credit facility that are based on Adjusted EBITDA may be violated and could cause, among other things, a default under such credit facility, or result in FairPoint' s inability to pay dividends on its common stock.

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

While FairPoint uses these non-GAAP financial measures in managing and analyzing its business and financial condition and believes they are useful to its management and investors for the reasons described above, these non-GAAP financial measures have certain shortcomings. In particular, Adjusted EBITDA does not represent the residual cash flows available for discretionary expenditures, since items such as debt repayment and interest payments are not deducted from such measure. FairPoint' s management compensates for the shortcomings of these measures by utilizing them in conjunction with their comparable GAAP financial measures.

The information in this press release should be read in conjunction with the financial statements and footnotes contained in FairPoint' s quarterly report to be filed with the Securities and Exchange Commission.

About FairPoint

FairPoint is a leading provider of communications services to rural communities across the country. Incorporated in 1991, FairPoint' s mission is to acquire and operate telecommunications companies that set the standard of excellence for the delivery of service to rural communities. Today, FairPoint owns and operates 29 rural local exchange companies (RLECs) located in 18 states, offering an array of services, including local and long distance voice, data, Internet and broadband offerings.

Forward Looking Statements

This press release may contain forward-looking statements that are not based on historical fact, including without limitation, statements containing the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements. Such factors include those risks described from time to time in FairPoint's filings with the Securities and Exchange Commission, including, without limitation, the risks described in FairPoint's most recent Annual Report on Form 10-K on file with the Securities and Exchange Commission. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. All information is current as of the date this press release is issued, and FairPoint undertakes no duty to update this information. FairPoint's results for the

quarter ended June 30, 2006 are subject to the completion and filing with the Securities and Exchange Commission of its Quarterly Report on Form 10-Q for such period.

Source: FairPoint Communications, Inc. www.fairpoint.com

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Attachments

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	June 30, 2006 (unaudited)	December 31, 2005
	(Dollars in thousands)	
Assets		
Current assets:		
Cash	$ 41,228	$ 5,083
Accounts receivable, net	28,026	34,985
Other	13,616	9,200
Deferred income tax, net	22,504	29,190
Assets of discontinued operations	–	90
Total current assets	**105,374**	**78,548**
Property, plant, and equipment, net	229,631	242,617
Investments	11,708	39,808
Goodwill	482,315	481,343
Deferred income tax, net	39,233	47,160
Deferred charges and other assets	22,908	18,663
Total assets	**$ 891,169**	**$ 908,139**

Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 13,670	$ 12,030
Dividends payable	13,835	13,789
Current portion of long-term debt	696	677
Demand notes payable	333	338
Accrued interest payable	207	288
Other accrued liabilities	15,037	20,808
Liabilities of discontinued operations	1,447	2,495
Total current liabilities	**45,225**	**50,425**
Long-term liabilities:		
Long-term debt, net of current portion	592,620	606,748
Deferred credits and other long-term liabilities	6,853	4,108
Total long-term liabilities	**599,473**	**610,856**
Minority interest	9	10
Stockholders' equity:		
Common stock	350	350
Additional paid-in capital	556,809	590,131
Unearned compensation	–	(6,475)
Accumulated deficit	(321,841	(342,635)
Accumulated other comprehensive income, net	11,144	5,477
Total stockholders' equity	**246,462**	**246,848**
Total liabilities and stockholders' equity	**$ 891,169**	**$ 908,139**

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(Dollars in thousands)			
Revenues	$ 64,196	$ 65,206	$ 128,987	$ 126,871
Operating expenses:				
Operating expenses, excluding depreciation and amortization	36,275	35,321	71,880	67,764
Depreciation and amortization	13,352	13,106	26,987	26,116
Total operating expenses	49,627	48,427	98,867	93,880
Income from operations	14,569	16,779	30,120	32,991
Other income (expense):				
Net gain (loss) on sale of investments and other assets	14,277	(6)	14,225	(184)
Interest and dividend income	2,587	720	2,927	1,272

Interest expense	(9,792)	(9,588)	(19,545)	(26,558)
Equity in net earnings of investees	3,079	2,796	6,365	5,452
Other non-operating, net	–	(1,582)	–	(87,746)
Total other income (expense)	10,151	(7,660)	3,972	(107,764)
Income (loss) before income taxes	24,720	9,119	34,092	(74,773)
Income tax (expense) benefit	(9,645)	(3,515)	(13,297)	91,419
Minority interest	(1)	(1)	(1)	(1)
Net income	$ 15,074	$ 5,603	$ 20,794	$ 16,645
Weighted average shares outstanding:				
Basic	34,649	34,549	34,601	29,260
Diluted	34,683	34,566	34,665	29,315
Earnings per share:				
Basic	$ 0.44	$ 0.16	$ 0.60	$ 0.57
Diluted	$ 0.43	$ 0.16	$ 0.60	$ 0.57

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2006	**2005**
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 20,794	$ 16,645
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Dividends and accretion on shares subject to mandatory redemption	–	2,362
Loss on preferred stock subject to mandatory redemption	–	9,899
Deferred income taxes	11,873	(92,706)
Amortization of debt issue costs	825	1,095
Depreciation and amortization	26,987	26,116
Loss on early retirement of debt	–	77,847
Minority interest in income of subsidiaries	1	1
Income from equity method investments	(6,365)	(5,452)
Net (gain) loss on sale of investments and other assets	(14,225)	184
Other non cash items	668	1,046
Changes in assets and liabilities arising from operations:		
Accounts receivable and other current assets	6,472	(1,795)
Accounts payable and accrued expenses	118	(17,717)
Income taxes	234	(342)
Other assets/liabilities	(130)	110
Total adjustments	26,458	648
Net cash provided by operating activities of continuing operations	47,252	17,293

Cash flows from investing activities of continuing operations:		
Acquisitions of telephone properties, net of cash acquired	−	(16,449)
Net capital additions	(17,536)	(9,652)
Distributions from investments	5,740	4,791
Net proceeds from sales of investments and other assets	43,358	174
Other, net	(111)	(281)
Net cash provided by (used in) investing activities of continuing operations	31,451	(21,417)
Cash flows from financing activities of continuing operations:		
Net proceeds from issuance of common stock	−	431,921
Debt issue and offering costs	−	(8,468)
Proceeds from issuance of long-term debt	26,450	638,484
Repayments of long-term debt	(40,515)	(847,842)
Repurchase of preferred and common stock	−	(129,278)
Payment of fees and penalties associated with early retirement of long term debt	−	(61,037)
Payment of deferred transaction fee	−	(8,445)
Proceeds from exercise of stock options	24	184
Dividends paid to common stockholders	(27,559)	(7,788)
Net cash provided by (used in) financing activities of continuing operations	(41,600)	7,731
Cash flows of discontinued operations:		
Operating cash flows, net used in	(958)	(510)
Net increase in cash	36,145	3,097
Cash, beginning of period	5,083	3,595
Cash, end of period	$ 41,228	$ 6,692

FairPoint Communications, Inc.

Non - GAAP Financial Measures Reconciliation

For the Three and Six Months Ended June 30, 2006 and 2005

	Three Months Ended 06/30/06	Three Months Ended 06/30/05
	(Dollars in Thousands)	
Net cash provided by operating activities from continuing operations	$ 26,336	$ 18,717
Adjustments:		
Depreciation and amortization	(13,352)	(13,106)
Other non-cash items	8,022	(2,814)
Changes in assets and liabilities arising from continuing operations, net of acquisitions	(5,932)	2,806
Income from continuing operations	15,074	5,603
Adjustments:		
Interest expense	9,792	9,588
Provision for income taxes	9,645	3,515
Depreciation and amortization	13,352	13,106

EBITDA	47,863	31,812
Adjustments:		
Net (gain) loss on sale of investments and other assets	(14,277)	6
Equity in earnings of investee	(3,079)	(2,796)
Distributions from investments	2,310	2,551
Non-cash stock based compensation	670	685
Loss on early retirement of debt	–	1,582
Loss on redemption of preferred stock	–	–
Other non-cash item	(319)	–
Deferred patronage dividends	(15)	(34)
Adjusted EBITDA	$ 33,153	$ 33,806

	Six Months Ended 06/30/06	Six Months Ended 06/30/05
Net cash provided by operating activities from continuing operations	$ 47,252	$ 17,293
Adjustments:		
Depreciation and amortization	(26,987)	(26,116)
Other non-cash items	7,224	5,724
Changes in assets and liabilities arising from continuing operations, net of acquisitions	(6,695)	19,744
Income from continuing operations	20,794	16,645
Adjustments:		
Interest expense	19,545	26,558
Provision for income taxes	13,297	(91,419)
Depreciation and amortization	26,987	26,116
EBITDA	80,623	(22,100)
Adjustments:		
Net (gain) loss on sale of investments and other assets	(14,225)	184
Equity in earnings of investee	(6,365)	(5,452)
Distributions from investments	5,740	4,791
Non-cash stock based compensation	1,284	1,092
Loss on early retirement of debt	–	77,847
Loss on redemption of preferred stock	–	9,899
Other non-cash item	(637)	
Deferred patronage dividends	26	(36)
Adjusted EBITDA	$ 66,446	$ 66,225
Plus (minus):		
Scheduled principal payments	(321)	(546)
Cash interest expense (adjusted for amortization, swap interest and dividend and accretion on series A preferred stock)	(18,720)	(23,104)
Capital expenditures and other	(18,632)	(10,264)
Investments	(112)	–
Cash received on account of non-cash income excluded from Adjusted EBITDA	2,000	–
Gain on sale of investment/assets	14,439	–
Cash income taxes	(1,124)	(475)
Cash Available for Dividends	$ 43,976	$ 31,836

"EBITDA" means net income (loss) before income (loss) from discontinued operations, interest expense, income taxes, and depreciation and amortization.

"Adjusted EBITDA" is defined in FairPoint's credit facility as (i) the sum of Consolidated Net Income (which is defined in FairPoint's credit facility and includes distributions from investments), plus the following to the extent deducted from Consolidated Net Income: provision for taxes, consolidated interest expense, depreciation, amortization, losses on sales of assets and other extraordinary losses, and certain other non-cash items, each as defined, *minus* (ii) gains on sales of assets and other extraordinary gains and all non-cash items increasing Consolidated Net Income.

"Cash Available for Dividends" means Adjusted EBITDA, *minus* (i) cash interest expense (adjusted for amortization, swap interest and dividends and accretion on series A preferred stock), (ii) scheduled principal payments on indebtedness, (iii) capital expenditures, (iv) investments, (v) cash income taxes, and (vi) non-cash items excluded from Adjusted EBITDA and paid in cash, *plus* (i) the cash amount of any extraordinary gains and gains realized on asset sales other than in the ordinary course of business, and (ii) cash received on account of non-cash gains or non-cash income excluded from Adjusted EBITDA.

FairPoint Communications, Inc.

Sequential Financial Information for the Quarters ending June 30, March 31, 2006 and December 31, September 30, and June 30, 2005

(Dollars in thousands)	Three Months Ended June 30, 2006	Three Months Ended March 31, 2006	Three Months Ended December 31, 2005	Three Months Ended September 30, 2005	Three Months Ended June 30, 2005
Consolidated Results:					
Revenues:					
Local calling services	$ 16,609	$ 16,282	$ 16,919	$ 16,586	$ 15,982
USF - high cost loop support	4,731	4,819	5,189	5,045	4,707
Interstate access revenue	16,589	17,636	20,627	17,697	20,083
Intrastate access revenue	8,888	8,977	10,165	10,227	9,534
Long distance services	5,630	5,399	5,694	5,694	4,798
Data and internet services	6,890	6,683	6,409	6,230	5,937
Other services	4,859	4,995	4,931	4,559	4,165
Total revenues	64,196	64,791	69,934	66,038	65,206
Operating expenses	49,627	49,240	50,518	51,417	48,427
Income from operations	14,569	15,551	19,416	14,621	16,779
Other income (expense)	10,151	(6,179)	(6,881)	(6,927)	(7,660)
Earnings (loss) from continuing operations before income taxes	24,720	9,372	12,535	7,694	9,119
Income taxes	(9,645)	(3,652)	(4,819)	(3,504)	(3,515)
Minority interest in income of subsidiaries	(1)	-	-	(1)	(1)
Income from discontinued operations	-	-	380	-	-
Net income	$ 15,074	$ 5,720	$ 8,096	$ 4,189	$ 5,603
Cash Available for Dividends:	-				
Adjusted EBITDA	$ 33,153	$ 33,293	$ 37,592	$ 31,018	$ 33,806
Plus (minus):					
Scheduled principal payments	(162)	(159)	(157)	(155)	(124)
Cash interest expense (adjusted for amortization, swap interest and dividend and accretion on series A preferred stock)	(9,411)	(9,309)	(9,433)	(9,663)	(9,203)
Capital expenditures and other	(12,688)	(5,944)	(9,523)	(8,355)	(5,230)
Investments	(112)	-	-	-	-

Cash received on account of non-cash income excluded from Adjusted EBITDA	1,000	1,000	-	-	-
Gain on sale of investment/assets	14,264	175	-	-	-
Cash income taxes	(504)	(620)	458	(292)	(237)
Cash Available for Dividends	$ 25,540	$ 18,436	$ 18,937	$ 12,553	$ 19,012
Cumulative Cash Available for Dividends: (1)					
Beginning Balance	$ 27,616	$ 22,972	$ 17,800	$ 19,012	$ -
Add:					
Cash Available for Dividends generated during the quarter	25,540	18,436	18,937	12,553	19,012
Less:					
Dividends declared and/or paid after July 30, 2005	(13,825)	(13,792)	(13,765)	(13,765)	-
Cumulative Cash Available for Dividends	$ 39,331	$ 27,616	$ 22,972	$ 17,800	$ 19,012
Other information:					
Gross property, plant and equipment	$ 775,322	$ 764,431	$ 760,221	$ 752,872	$ 730,170
Capital expenditures	11,592	5,944	9,325	8,256	5,002
Interest expense (adjusted for amortization and swap interest)	(9,411)	(9,309)	(9,433)	(9,663)	(9,203)
Access line equivalents	292,910	290,682	288,899	291,072	287,723
Residential access lines	186,080	186,384	188,206	192,149	192,643
Business access lines	55,499	55,153	55,410	55,903	54,170
High Speed Data subscribers	51,331	49,145	45,283	43,020	40,910
DSL subscribers	47,217	44,235	40,939	39,035	37,621
Other HSD subscribers (Wireless and Cable modems)	4,114	4,910	4,344	3,985	3,289

Footnotes:

(1) Cumulative Cash Available for Dividends means the amount of Cash Available for Dividends generated beginning on April 1, 2005, *minus* the aggregate amount of dividends paid after July 30, 2005, *minus* the aggregate amount of investments made after April 1, 2005 using such cash, *plus* the aggregate amount of distributions received from such investments (not to exceed the amount originally invested).

Exhibit 99.2

TRANSCRIPT

Conference Call Transcript

FRP - Q2 2006 FairPoint Communications, Inc. Earnings Conference Call

Event Date/Time: Aug. 01. 2006 / 8:30AM ET

CORPORATE PARTICIPANTS

Brett Ellis
FairPoint Communications - IR

Gene Johnson
FairPoint Communications - CEO

John Crowley
FairPoint Communications - CFO

CONFERENCE CALL PARTICIPANTS

Barry Sine
Oppenheimer & Co. - Analyst

Patrick Rien
Lehman Brothers - Analyst

Marcus Shaw
Bank of America Securities - Analyst

PRESENTATION

Operator

Good morning. My name is Deborah and I will be your conference operator today. At this time, I would like to welcome everyone to the FairPoint Communications Second Quarter 2006 Earnings Conference Call. (Operator Instructions.) Thank you. Mr. Ellis, you may begin your conference.

Brett Ellis − ***FairPoint Communications - IR***

Thanks. Good morning, everyone, and thank you for joining the FairPoint Second Quarter Earnings Conference Call. Participating on today' s call are Gene Johnson, our CEO, and John Crowley, our CFO.

Before we begin, I would like to remind you that certain statements made during this conference call, which are not based on historical fact, may be deemed to constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events, or developments to differ materially from those expressed or implied by these forward-looking statements.

Such factors include those risks described from time to time in FairPoint' s filings with the Securities and Exchange Commission, including, without limitation, the risks described in FairPoint' s most recent annual report on Form 10-K on file with the Securities and Exchange Commission. All information is current as of the date of this earnings call and FairPoint undertakes no duty to update this information. In addition, FairPoint' s results for the quarter ended June 30, 2006 are subject to the completion and filing with the Securities and Exchange Commission of its quarterly report on Form 10-Q for such period.

Having said this, allow me to introduce Gene Johnson, our Chairman and CEO.

Gene Johnson − ***FairPoint Communications - CEO***

Thanks, Brett. Good morning, everyone. I hope you all had a chance to see the press release for the second quarter. I' ll talk about that more in a moment. During the quarter, we delivered on our operational promises. I think we continued to build a very solid financial base. Revenues were $64.2 million and our cash available for dividends balance increased by 42% to $39.3 million. We again exhibited our ability to both pay and, very importantly, sustain our dividend, meeting one of the key criteria foremost in the minds of analysts and folks in the investment community.

Since the last call, we' ve been very pleased to see an upward trend in the stock price, indicating that the messages are resonating with the investment community. Our operational performance, coupled with our strong dividend, continues to present investors, we think, with a very solid investment opportunity and we work everyday to maximize that investment.

Talking about the billing conversion for a second, we' re really pleased with how it' s going. It' s continued on schedule, and very importantly, below budget. We' ve converted seven operating companies to date, or approximately 36% of our total access line equivalents on the ICMS platform, from ICMS to the MACC Customer Master Billing platform. We expect to convert the remaining companies on ICMS by September 9 and the remaining ICMS companies by early to middle 2007, which is exactly the schedule that we established late last year and that we previously reported to you.

We also now can tell you that we expect the conversion to be completed well below the original cost estimates. We expect the total cost to be around $4.5 million, which is significantly less than the original budget, if you remember was $5.5 million, so about $1 million less than budget. This is primarily attributable to a lot of time and effort that we put into planning the transition, and then, the actual execution of the transition to MACC. I' ll tell you I am extremely pleased with our execution on this initiative and we can already start to see some of the benefits from the new system; how it' s going to save us money and increase our efficiencies over time.

Many of our employees are working night and day to meet the timetables we' ve set to create a billing environment. And we think it' s going to be very important and that will allow us to better serve our customers, as we' ve told you before, and will enhance our marketing efforts. We' ll have significant increases in operational efficiency when it' s completed. And we' re doing all of this while we' re maintaining very high levels of customer service.

I want to make a couple of brief comments about regulatory.−just very brief comments because there have been a couple of important developments since the last quarterly call. The industry-sponsored Missoula Reform Plan was filed with the SEC and already Chairman Martin has sent out a notice establishing both comments and reply comments dates. As you know, FairPoint played a very important leadership role in the Rural Alliance, which is one of the main industry sponsors for the plan. And I really want to thank Pat Morse, our Senior VP of Governmental Affairs, for all of his hard work, his great common sense, and extremely valuable input into the process. We believe this comprehensive plan provides a workable foundation for migrating to a system that more accurately reflects the technological and other changes our industry is going through. This is a very, very important step as we start looking at how to change carrier compensation.

Regarding USF reform, it' s obviously not the ultimate solution, but we think that there was a step in the right direction when the USF funding base was expanded by the FCC to include VOIP providers. We are very hopeful that this small step is going to lead to an appropriate solution to the USF problem and I am quite encouraged that now that there' s a full complement of commissioners at the FCC that the stalled agenda items that we' ve been talking about for so long relating to RLECs will now begin to move forward.

Just a comment or two about our high-speed data sales. We really want to get away from the use of the term DSL because, as we told you before, we have both DSL and cable broadband subscribers. We think high-speed data is more effective. We would just as soon sell cable as DSL, if we have it in the marketplace. And we, quite frankly, don' t really care. We just want the customer to take broadband from us.

But again, I think we had very good results in the area of high-speed data sales during this quarter. And we think that this is extremely, extremely important−has been extremely important to our results for the quarter. Our penetration increased to 21.2% at June 30, up from 18.6% at the end of last year. And importantly, we added over 3,300 high-speed data subscribers during the second quarter. And we obviously are working very, very hard to continue to improve that area.

And I think it' s important that in addition to increasing the number of subscribers, our DSL ARPU has again remained consistent to prior quarters in the $40 to $41 range. So what we' re actually doing, we' re adding subs without sacrificing margin as we do that.

Finally, and probably for many of you, most importantly, I just want to comment on the dividend. Our focus on the dividend, as we' ve said over and over again, is absolutely unwavering and we are very focused on it. During the second quarter, we generated cash available for dividends of $25.5 million. We declared a dividend of $13.8 million. At June 30, our cumulative cash available for dividends grew very significantly to $39.3 million.

We continue to focus on improving the cumulative cash available for dividends by operating the business better, by increasing sales, by prudent expense management, by timely capital investments, and also by careful attention to our balance sheet for asset management, and then, of course,

to other areas of operations. So we think that we' re in a strong position relative to the dividend and we look forward to improving that balance even further as we go into the future.

As to operating efficiencies, we' re making, as I said, steady progress on the MACC billing conversion. We continue to leverage our capital efficiency and you can look at the liquidation of RTB, the sale of the investment in the Southern Illinois Cellular Corp as an example of that. Those two transactions resulted in the receipt of about $44 million in cash proceeds, an increase in cash available for dividends of $16.4 million. That' s just two examples of how we are leveraging our non-core assets and partnerships to build an even stronger foundation.

Looking at M&A, we announced last week that we completed the purchase of Cass County Telephone on July 26. As you remember, we acquired the assets for that company. Cass County serves approximately 8,600 access lines equivalents in Kansas and Missouri. The transaction fits nicely with our acquisition profile. It' s very rural in nature. It has DSL service available to roughly 90% of its access lines, not subject to significant cable competition in its markets.

We are very excited about this transaction. We expect it to be immediately accretive to free cash flow. It' s going to help to improve our dividend payout ratio. The price paid for Cass County is less than â "5.75 times the projected EBITDA from the acquired assets in the first full year of operations. And we' re very pleased with the purchase price. We expect that the assets are going to generate about $11 million in revenues in the first full year of operations.

Additionally, you' ll note that last week we announced an agreement to acquire Unite Communications. It' s a facilities-based voice, data, and video service provider located outside of Kansas City, Missouri. And again, I want to say facilities-based. It serves approximately 4,200 access lines in Kearney and Platte City, Missouri, approximately 50 miles from our Cass County service territory.

So we expect to use the Unite IPTV platform to deliver over 145 channels of audio and video service to our Cass customers. And the economics of the purchase price for Unite are quite comparable to that of the Cass County transaction. We expect to close this transaction later this month and we expect it also to help us to lower our important ratios that we talked about lowering related to the dividend.

We' ve said over and over again, we think scale is the key factor that really dictates whether or not you can continue to grow in this business. So we' re always looking for potential transactions. We think that the current level of M&A activity indicates that there' s plenty of opportunity for FairPoint to continue to grow. So while we remain convinced that scale and scope are important and critical to creating long-term shareholder value in our business, we' re never going to acquire access lines just to get bigger. That' s just not what we do.

And we' ve talked about it over and over again. Every transaction we do must be strategic and it must be accretive. And as I tell you every time you ask the question, we' ll never overpay for assets. We' ll always look to maximize your investments in FairPoint. There were some that were skeptical about the Cass County transaction. I think we' ll prove the skeptics wrong as we operate this. We obviously could not announce the metrics of that until it was completely through the regulatory process because of the unique nature of this transaction. But I think you' ll see that this is going to be a terrific transaction for us. With that, I think I' ll stop and I' ll let John Crowley discuss the second quarter financials in a little more detail with you.

John Crowley − ***FairPoint Communications - CFO***

Thanks, Gene. Good morning, everyone. In the second quarter, we earned revenues of $64.2 million, a decrease of 1.5% over the same quarter in 2005. Revenues were up 0.9% on a normalized comparable basis, which is to say after eliminating the effect of acquisitions and prior period adjustments.

Let me just quickly explain that. During the quarter, we recorded two negative interstate adjustments related to prior years, which totaled $1 million. In the second quarter of 2005, we recorded a $1.9 million positive prior period interstate adjustment, which we discussed on the call last year. These NECA prior period adjustments resulted in a $2.9 million swing in interstate revenue in the second quarter of 2006, vis-Ã -vis, the second quarter of 2005.

Excluding the impact of 2005 acquisitions, in the second quarter data and Internet service revenues increased $800,000, primarily as a result of a higher number of HSD subscribers. DSL ARPU has been fairly consistent and averaged $40.21 in the second quarter. Long distance revenue increased $700,000 as the result of an increase in both long distance penetration and minutes of use. These increases were partially offset by decreases in intrastate and interstate revenues, as I mentioned a second ago.

Operating expenses, excluding depreciation, increased $100,000, excluding the impact of acquisitions, compared to the second quarter of 2005. The primary drivers of this were an increase in employee compensation of $400,000, an increase in expenses related to HSD and long distance services of $400,000, an increase in billing expense of $300,000, and various other smaller corporate items.

These increases were offset by a decrease in consulting expenses of $1.7 million due to the expenses incurred last year related to our Sarbanes Oxley preparations. Adjusted EBITDA was $33.2 million for the quarter, compared to $33.8 million in the same quarter last year, and compared to $33.3 million for the first quarter of this year. Let me just quickly put that into perspective. We said on our earnings call in May that second quarter would be in line with the first quarter on a normalized basis. In the first quarter, we earned a non-recurring dividend of $1.1 million fromCoBank, which we talked about. So adjusted for that, normalized first quarter EBITDA was $32.2 million. To normalize the second quarter, deduct the $2.1 million dividend, which we received from SICC prior to the sale of SICC, and add back the prior period adjustments from the NECA pools that I talked about a second ago, and that results in a normalized second quarter adjusted EBITDA of $32.1 million. So right in line with the first quarter. Net income for the quarter was $15.1 million. Earnings per share on a dully diluted basis for the quarter were $0.43, compared to $0.16 in the second quarter of 2005. Contributing to earnings per share were the gains on the sale of investments, that' s SICC and RTB, as Gene talked about, which added approximately $0.30 to earnings per share in the quarter. In the quarter, we generated cash available for dividends of $25.5 million and we declared a dividend in the quarter of $13.8 million. Obviously, the largest component of cash available for dividends was the nonrecurring gain on the sale of investments, which totaled $16.4 million. And just to explain the structure of that, of the $16.4 million, $2.1 million was received in the form of a dividend immediately prior to the sale of SICC, and therefore, recorded as part of EBITDA.

And we generated a further gain of $10.2 million from the sale of SICC itself, and a $4.1 million gain from the liquidation of the RTB. The other elements of cash available for dividends were a distribution from Orange County Poughkeepsie of $2.3 million, capital expenditures and other of $12.7 million, which is high for the seasonal reasons we talked about last quarter, and the receipt of the second installment of the CSG settlement of $1 million.

I wanted to point out that included in CapEx and other in the cash available for dividends calculation is a $1.1 million payment to settle a lease obligation at a discount. This was related to discontinued operations for which we' d already reserved, and this will not recur, of course. The accumulation of all of these components resulted in cumulative cash available for dividends of $39.3 million at June 30, 2006.

As Gene mentioned, operationally, we can report great progress on the MACC billing conversion. 36% of the access lines that were being billed on the ICMS system are now on the MACC Customer Master system and the transition has gone smoothly. Carrier access polling is converted on all of the companies. Data mapping for customer files and plant records is complete for all of the companies scheduled for this year. And all system interfaces are operational and we have run a test bill cycle for nearly all of the 2006 conversions. As Gene said, we will be off the ICMS platform on September 9. And per the original schedule, we will convert the non-ICMS companies early next year.

At this point, we want to recognize CSG systems. Everyone at CSG, from the production people in Omaha, to the CEO in Denver, has throughout this process been constructive, supportive, and completely professional, and we thank them for that. Meantime, we have an excellent working relationship with our partners at MACC. Already our operations people and customer service people are commenting on the ease of use of the system. MACC has developed some custom features to further automate some of our business processes, and we intend to continue to look for new ways to integrate this common platform across our 18 states and into everything we do.

Finally, as Gene said, the smooth conversion has resulted in financial benefits. The estimate we announced in November of $5.5 million for the conversion, we now expect the total conversion cost, both capital expenditures and operating expenses, will be $4.5 million, of which $1.7 million has already been spent.

At the end of March, our access line equivalents were nearly 293,000 versus 288,000 last year. The increase is primarily due to the acquisitions, Berkshire Telephone and Bentleyville Communications, but also because of the solid increase in the HSD subscribers.

Let me quickly note that during the quarter, we sold the operations of a subsidiary, which resulted in the reduction of approximately 1,200 wireless broadband subscribers. Excluding the effect of that sale, we added over 3,300 HSD subscribers in the second quarter of 2006. This increase reflects the success of our continuing marketing efforts. We had an increase in voice access lines during the quarter for companies owned for more than one year of 105 access lines. This is a typical seasonal pattern for us as people return to northern summer resort areas in Maine and Idaho and probably in part reflects the population growth that we' re experiencing in a couple of our markets.

Our HSD success is due in part to the rural nature of our markets. We currently have limited wireline competition and limited voice competition from cable providers in those markets. In addition, a cable modem offering by a cable competitor is only available to 39% of our homes passed. And that level of cable competition and cable modem competition was essentially unchanged from the first quarter.

We spent $11.6 million in the quarter on capital expenditures. For the six months ended June 30, 2006, we have spent approximately $17.5 million of the estimated $29.5 to $31.5 million in full year capital expenditures that we' ve indicated. We expect capital expenditures will be approximately $9 to $10 million in the third quarter and only $3 to $4 million in the fourth quarter. This pattern of capital expenditures reflects seasonal construction opportunities. And as we' ve indicated in the past, our ability to generate cash available for dividends should probably be measured for the year in aggregate, rather than based on these temporary surges in capital expenditures.

I should probably repeat, if you didn' t catch it in the last quarter that our previous guidance on capital expenditures already includes our planned investments in Cass County, which is now known as FairPoint, Missouri.

In terms of our operating expectations for the third quarter, you can overlay approximately $1 million of incremental EBITDA from the partial quarter contribution from FairPoint, Missouri onto the normalized second quarter results. And finally, our interest expense guidance remains unchanged. With that, I' m happy to take questions. Thank you.

QUESTION AND ANSWER

Operator

(Operator Instructions.) Your first question comes from Barry Sine.

Barry Sine − ***Oppenheimer & Co. - Analyst***

Good morning. A couple of questions, if you don' t mind. On the Unite Video Service offering, I think you' ve said that' s an IPTV offering. What is the technology there? What' s the bandwidth throughput? How does that compare to Cass? And is that a technology and a service offering that you may be thinking of rolling out across the board of your service territories?

Gene Johnson − ***FairPoint Communications - CEO***

I' ll comment on that. As far as the specific technologyâ ¦., to be honest with you, I couldn' t–.

John Crowley − ***FairPoint Communications - CFO***

VDSL.

Gene Johnson − ***FairPoint Communications - CEO***

VDSL. And it, as I said, has about 100–a little over 145 channels of service and they' re typically packaged anywhere from $55 to $135 in the various packages, which includes voice, video, and data. The project is easily expandable to the Cass County market because they' re only about 50 miles away and we have transport available to us at a very inexpensive cost. So it' s going to work quite nicely there.

Other markets, as you know, we' re rolling out an IPTV product right now in Yelm, Washington. As of this moment, we can' t tell you that we' re going to expand into other markets. Over time, I think it' s likely you' ll see us try to expand into other markets, but right now, we don' t have any plans to announce to do that.

Barry Sine − ***Oppenheimer & Co. - Analyst***

Okay. And you also talked about progress on the billing system conversion. And by middle of next year you should have all of that done. Once that' s done, can you give us some sense of the potential for operating margin improvement, once you won' t be operating on two billing systems and have that cost conversion?

Gene Johnson – ***FairPoint Communications - CEO***

Yes. I' ll tell you, we don' t have that quantified yet. We think that during the next year you' ll start to see the impact of that. I' ll give you some–just a quick anecdote to give you some sense of this. In some of the FairPoint exchanges that have already been converted, we now are rolling calls over from one exchange to another hundreds of miles apart, and so that CSRs take the next call no matter where it' s from. We' re finding this to be easy because everybody is on exactly the same platform where before we just absolutely couldnâ ™t do it because you couldn' t answer a question about another exchange' s billing.

So we know there' s going to be significant improvements. We' re not really ready to talk about that yet. We will talk about that more sometime early next year I would expect, as we get those plans in place.

Barry Sine – ***Oppenheimer & Co. - Analyst***

Okay. The next question, you mentioned that your expected cost for the billing system conversion is going to be quite a bit lower now. Does that impact the cash that you' re expecting to receive as an offset I think from CSG?

Gene Johnson – ***FairPoint Communications - CEO***

No. That deal is a hard fast deal. And we will get the last payment of that when we complete the conversion, however, John, I guess that would be in the October timeframe.

John Crowley – ***FairPoint Communications - CFO***

In September/October. Yes, Barry, the payments that we receive from CSG, it' s just a contractual obligation. It' s unrelated to what happens to be the estimated cost for the conversion.

Barry Sine – ***Oppenheimer & Co. - Analyst***

Okay, great. And my last question. You' ve made very good progress over the last several quarters in terms of generating cash available for dividends. What metrics would you look at and what would it take for you to start thinking about a potential increase in the dividend?

Gene Johnson – ***FairPoint Communications - CEO***

I guess I' ll let John handle that. My view of that would be that we are going to look at the cash that we have available and decide what' s the best use for that cash and how can we create the most value for the shareholders from that. And if we create the most value by increasing the dividend, we' ll do that. If we create the most value by making an acquisition or investing in some other area of the business, we would do that. At the end of the day, our real goal is to create more shareholder value and that' s what we' re focused on. And we know the dividend is a very, very key component of that.

John Crowley – ***FairPoint Communications - CFO***

Yes, Barry, if I could just quickly say, the overriding principle is, of course, we recognize that the cash that we generate from this business is the shareholders' cash. There' s no question. We continually consider the various options that we have for that, whether it' s shared buybacks or acquisitions or what have you. At this point, even though we' ve built up a very big cash cushion for the dividend, our current view is that there are sufficient opportunities, and I think Cass County and Unite indicate that for us to create more value via acquisition than via paying it out in dividends. But obviously, the current dividend is secure.

Barry Sine – ***Oppenheimer & Co. - Analyst***

Thank you very much.

John Crowley − ***FairPoint Communications - CFO***

I might just mention while we' re waiting for the next question, Gene had made reference to introducing the IPTV product from Unite into Cass County. As part of the Cass County acquisition, we picked up a stake in the Missouri Network Alliance, which is a fiber ring that will allow us to do that.

Operator

Your next question comes from the line of Patrick Rien.

Patrick Rien − ***Lehman Brothers - Analyst***

Hey, guys. Thanks for taking the question. On Cass County, you mentioned that you expected the price you pay to be 5.75 times next year' s EBITDA. Is that kind of a run rate EBITDA or what type of revenue or expense synergies have you baked in there? And then, also, what' s the expected price on Unite? Is that a similar multiple? And then, again, what type of synergies are you looking at? Thank you.

John Crowley − ***FairPoint Communications - CFO***

Yes. Hi, Patrick. How are you? The Unite economics in terms of multiple is comparable to the Cass County. As I say, we now call it FairPoint, Missouri, which isn' t to say that obviously the deals are identical. The networks are slightly different. The product offerings are slightly different. We will converge those over time. There are significant synergies in the Cass County transaction in terms of overhead reduction that we' ve actually already put in place. I don' t want to imply that there' s a lot of change about to come on that.

The EBITDA multiple that we gave you is a run rate based on our expected costs, without factoring in the upside that we expect to get from either increased sales of HSD or from IPTV. Because, of course, at the time that we contracted to acquire Cass, we hadn' t at that time made the decision to acquire Unite, which gives us the IPTV product.

Patrick Rien − ***Lehman Brothers - Analyst***

Okay, good. And just one quick one. To rollout that IPTV product to the Cass County area, what kind of an impact does that have on CapEx? Is that something that' s expected for this year or next year, or how does that work?

John Crowley − ***FairPoint Communications - CFO***

There is a small capital expenditure effect, but it' s essentially offset by the slight delay in the deal. The guidance that we' ve given on capital expenditures for this year is unchanged. But, as I said, it does include the FairPoint, Missouri capital expenditures.

Gene Johnson − ***FairPoint Communications - CEO***

It' s already baked in the guidance we' ve given you.

Patrick Rien − ***Lehman Brothers - Analyst***

Okay. But if there' s any IPTV rollout to Cass County, it' s probably going to be a next year event?

John Crowley − ***FairPoint Communications - CFO***

We can' t give you an exact date on that. I mean, there are obviously operational issues involved in that.

Patrick Rien − ***Lehman Brothers - Analyst***

Okay. Thanks, guys.

Gene Johnson − ***FairPoint Communications - CEO***

Thank you.

Operator

(Operator Instructions.) There are no further questions at this time.

Gene Johnson − ***FairPoint Communications - CEO***

Good. I guess if no one else is going to get in the queue, we' ll go ahead and end the call. I know there' s a lot going on today. A lot of calls going on. And I see that you do have someone in the queue, so I think David Barden' s out there.

Operator

Mr. Barden, your line is open.

Marcus Shaw − ***Bank of America Securities - Analyst***

Gene and John, how are you doing? This is Marcus Shaw calling for Dave Barden. I just had a question. If you could give us a little bit of an update on Orange County Poughkeepsie? I think you guys said there was about $2.3 million in distributions. And it looks like there might have been another $700,000 kind of coming in from some other equity position. If you guys can comment on that and just comment on kind of how the discussion and your position with Verizon and so forth goes in Orange Poughkeepsie?

John Crowley − ***FairPoint Communications - CFO***

Yes. Hi, Marcus. At the beginning of this year, you may recall that we gave some guidance on our expected distributions in Orange Poughkeepsie. We suggested that we' d be down about 15% vis-Ã -vis last year. Orange County Poughkeepsie is having a quite good year actually. This is fairly typical when the partnership cuts the wholesale rates to the resellers that we get greater than expected minutes of use.

As a consequence, although I won’ t give you a specific number, we believe that the decline in the Orange County Poughkeepsie distributions that we had guided earlier last year was probably overdone, which is to say that our actual distributions in Orange County Poughkeepsie will be greater than we had indicated.

Marcus Shaw − ***Bank of America Securities - Analyst***

Good. And I guess the other question is just in terms of that that appears to be another kind of $700,000. Was there any kind of other equity investment in the quarter?

John Crowley − ***FairPoint Communications - CFO***

The only other distributions that we had were the dividends from SICC, as I mentioned, only because of the unique aspect of the structure of SICC. SICC was both an operating company and had an interest in two other smaller wireless partnerships. They sold those wireless partnerships, had the cash, dividended that out to us immediately prior to the sale. That was $2.1 million. But that’ s all.

Marcus Shaw − ***Bank of America Securities - Analyst***

Okay. Thanks a lot, guys.

John Crowley − ***FairPoint Communications - CFO***

Thanks, Marcus.

Gene Johnson − ***FairPoint Communications - CEO***

Thank you.

Operator

There are no further questions in queue at this time.

Gene Johnson − ***FairPoint Communications - CEO***

Okay. Well, I don’ t see any other questions either. So I know there’ s a couple of other important earnings announcements this morning. So with that, I’ d like to thank you all for your attention. Have a great day. We will continue to get to work to create shareholder value for you. Thank you very much.

Operator

This concludes today’ s conference call. You may now disconnect.