

FairPoint phone company files for bankruptcy

October 26 2009, By CLARKE CANFIELD , Associated Press Writer

(AP) -- Telecommunications services provider FairPoint Communications filed for Chapter 11 bankruptcy protection Monday after agreeing on a deal with key lenders that will help lower its debt by about 62 percent.

FairPoint, based in Charlotte, N.C., owns and operates phone companies in 18 states with a total of 1.65 million lines. Its largest holdings by far are in Maine, New Hampshire and Vermont, where it bought [Verizon Communications](#) Inc.'s land lines and Internet network for \$2.3 billion in 2008.

FairPoint has been struggling under its large debt load and falling revenues, as well as customer-service, billing and other problems since switching over to its own computer systems in northern New England nine months ago.

The [bankruptcy](#) filing was widely anticipated as the company has negotiated with banks and bondholders to restructure its debt.

The restructuring deal with lenders holding more than half of its outstanding secured debt will allow the company to reduce its debt from \$2.7 billion to \$1 billion, CEO David Hauser told The Associated Press.

"What that will do is cause a significant decrease in costs to the company because interest expenses will drop a lot," Hauser said.

The plan is subject to approval by the U.S. Bankruptcy Court in the Southern District of New York.

Hauser said the bankruptcy filing will not affect the company's day-to-day operations or its efforts to expand its high-speed Internet network in northern New England.

"From a customer point of view, this is a nonevent," he said.

Last week, the governors of Maine, New Hampshire and Vermont had said they want assurances from FairPoint that any debt restructuring by the company won't further erode customer service.

FairPoint said Monday it has about \$46 million of cash on hand and expects to continue to generate positive operating cash flow. It said it received commitments for a \$75 million debtor-in-possession revolving credit facility.

Alfred Giammarino, chief financial officer and executive vice president, said the company is pleased with the terms of the agreement with its lenders.

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