

Dear Senator Leahy, Senator Sanders and Congressman Welch:

Thank you for your recent letter. It gives us an important opportunity to share with you the critical need to bring FairPoint's benefit costs into the mainstream. It is also an opportunity for us to share what we are doing to improve service and clear up misinformation you may have around negotiations with our unions. Once you hear the facts, it is my hope that you will come to appreciate that there is much more to these issues – and much more at stake for Vermont's economy – than what you may have been led to believe.

THE REALITY OF THE SITUATION

Above all, we want you to understand the economic reality of this situation – it involves FairPoint's ability to be the 21st century telecommunications provider Vermonters want and Vermont's economy deserves. A union leader recently referred to the contracts they are striking to maintain – which are holdovers from the days of monopoly landline telephone service – as “the richest in the country.” We don't know if that is so, but we do know that their demands for further wage increases over their \$82,500 average pay in 2013; for maintaining further accrual of defined pension benefits even though they have a generous matching 401(k) plan; for fully paid post-retirement medical benefits; and for unlimited paid sick time off but no meaningful contributions toward health care premium costs, are not within the mainstream.

The unions walked off the job because they want to preserve wages and benefits that are inconsistent with today's competitive telecommunications landscape. **The reality is that FairPoint cannot give in to the demands of our striking unions. The benefits they demand are a barrier to the telecommunications services Vermonters and Vermont's economy deserve now and in the future.**

FairPoint has made significant investments in Northern New England and Vermont. As you know, since 2008 FairPoint has invested over \$700 million in northern New England to provide a next generation network and specifically nearly \$100 million in broadband infrastructure to bring high-speed connections to rural communities in Vermont. The services that will run over that network are subject to very heavy competition, and our competitors are not burdened with the labor costs the unions demand. We cannot better serve our customers, maximize our economic value to communities, or price our products competitively if we are required to carry an oversized employee benefit cost burden our competitors are not.

In addition, we have made significant investments in communities and non-profits throughout Vermont, most recently with the substantial contribution of space for the Vermont Center for Emerging Technologies, our support for Spectrum Youth and Family Services and much more. FairPoint is deeply committed to the communities we serve. Our ability to continue to invest in infrastructure, innovation and important causes Vermonters hold dear will be impacted by the outcome of these negotiations.

We think it's important for you, and all Vermonters, to know what the strikers could return to if they chose to come back to work. **This is what the strikers refused and could return to:**

- No reduction in base wages for current employees.
- Competitive wages for new employees that will include increases at six month intervals with an average annual base pay of nearly \$58,000 within four years, plus overtime and bonus opportunities.
- A comprehensive medical plan with FairPoint paying almost 80% of premiums on average for employees and their families, which is more generous than for our other employees, including management.
- A mainstream 401(k) plan with a dollar-for-dollar company match for up to 5% of the employee's eligible pay.
- Five paid sick days per calendar year for personal illness, four paid personal days, ten paid holidays and up to five weeks of paid vacation time depending on tenure.

Early in your letter you implore us to make meaningful concessions and to reach a reasonable agreement with the unions. We feel strongly that the pay and benefits package outlined above is more than reasonable, and in fact compares very favorably to most union and non-union workforces in the region. Between April 25 and August 2, we made unilateral concessions without any counterproposals from the unions, all in an effort to reach successor agreements. It is time for the unions to make meaningful proposals to the company. We also believe most Vermonters would agree.

THE FACTS ABOUT NEGOTIATIONS

FairPoint has always been willing to compromise with the unions and from the outset of negotiations, we have bargained in good faith in an effort to reach a fair deal – any assertion to the contrary is simply untrue.

We have made numerous formal and informal efforts to reach agreement, all without success. On April 25, 2014, we made comprehensive proposals and worked diligently through 24 formal meetings. We made an extraordinary effort to provide over 11,000 pages of detailed documentation to respond to the unions' various requests.

Our good faith efforts, however, were not reciprocated. The unions waited to make their first comprehensive proposal until August 2, the day the contract expired, a period of 105 days from our April proposal, and their two subsequent proposals were more costly than the first.

Given their actions, you can appreciate why the unions' accusations that we have not bargained in good faith are unfounded. Indeed, all of the Unfair Labor Practice charges which they have filed against us, which to date have been decided, have been found to be without merit by Region 1 of the National Labor Relations Board.

I understand that encouraging us to negotiate is an expression of your hope for a reasonable resolution. But after all of our efforts to reach an agreement, urging us to negotiate is sending the message to the wrong party in these negotiations.

Our top priority has been to reach a resolution that addresses our core concerns so we can focus on serving customers and communities and ensure we are the 21st century telecommunications partner northern New England deserves.

In fact, on November 18, at the urging of federal mediators, we met with union leadership. Senator Sanders was instrumental in setting this meeting up and was led to believe that the unions were ready to pass meaningful counterproposals. We were hopeful, but like so many times before, they offered nothing – not a single suggestion. Rather, the unions put out a 562-word press release within an hour of the conclusion of the meeting that included three quotes from union leadership casting stones at FairPoint. Evidence suggests the unions had a predetermined outcome in mind for the meeting.

We have stated to the unions and it bears repeating: we remain willing to consider and constructively respond to any serious counterproposal that meaningfully addresses the company's core issues in this negotiation. To date, we have not received any such proposals. The ball is in their court.

THE FACTS ABOUT SERVICE

Serving our customers and communities is our top priority and the importance of addressing our pre and post-strike service challenges are central to that effort.

Our goal since the unions walked off the job has been to mitigate service disruptions to the greatest extent possible. We have done that by utilizing our management team, who are also hard working Vermonters, along with outside contractors. The fact is that the team is doing exceptional work and showing productivity well above pre-strike levels despite being hampered by aggressive and disruptive picketing, sabotage and extraordinarily bad weather. **This is a fact worth repeating: Our team is currently clearing more customer service work orders per person each day than the strikers cleared before they went on strike.** But we know we have much more work to do.

Our customer call centers are now fully transitioned to third party centers, and representatives are standing by to address customer inquiries. Last week, we were answering over 97% of the calls into the consumer call center and are now also allowing customers to reach us through a new online chat feature.

If the unions were putting customers first, they would have stayed at the table or, at a minimum, provided reasonable notice of their intent to strike. They did neither. Instead, they walked off the job. Their actions, coupled with their misleading public statements, suggest they are rooting for FairPoint to fail.

Despite our best efforts to mitigate the disruptive impact of the unions' strike, a larger than normal backlog of work has developed. The reality is that the majority of the backlog of orders is directly associated with the extreme weather we have encountered—four major storms in 50 days with regional impact approaching levels not seen since Irene in 2011. **In terms of impact on FairPoint's lines, and the power companies alike, this is akin to two Irene-level weather events within a two-week period of time.**

Prior to the strike, we deployed approximately 100 full-time-equivalent personnel to address field installation and maintenance work in Vermont. Today, with our manager and contractor contingency force, we are deploying approximately 115 full-time-equivalent personnel to those tasks with more contractors coming this week to help with storm restoration.

Nevertheless, we will continue to make every effort we can to improve service quality now and in the future. There is no doubt that the flexibility provided by our implemented proposals to bring in a supplemental contractor workforce to address spikes in service needs like those we've experienced in the past few weeks will go a long way on that front. That said, despite the unions' outrageous claims, it is important to note that our subcontracting proposal will not cause the layoff of any union employees.

Again, thank you for the opportunity to offer these critically important facts. I hope we can count on you to continue to put the economic interests of all Vermonters first.

Sincerely,

Paul Sunu

Chief Executive Officer