

Dear Governor Shumlin,

Thank you for the opportunity to clarify the facts surrounding FairPoint's negotiations with its unions, the critical importance of bringing FairPoint's benefit costs into the mainstream and what our company is doing to address recent service challenges.

In order to provide the public and other leaders the opportunity to review these facts, this letter will be made public, just as you made public your letter to me. 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 timely and quickly 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 – 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 without merit. 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 your encouraging us to negotiate is borne of your hope for a reasonable resolution on behalf of the customers and communities we serve. But after all of our efforts to reach an agreement, urging us to negotiate is a bit like preaching to the choir. Our top priority has been to reach a resolution that addresses our core concerns so we can better serve customers and communities and ensure we are the 21st century telecommunications partner northern New England deserves. 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.

While the unions have a right to strike, their accusation of greed against FairPoint rings hollow when their strike is to keep what a union leader recently referred to as "the richest contract in the country." We don't know whether that is so, but we do know that their demands for further wage increases over their \$82,500 average pay in 2013; for maintaining 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, has nothing to do with the Vermont mainstream. In short, they are striking because they want to preserve wages and benefits that are foreign to that mainstream and to today's competitive telecommunications landscape. In contrast to what they want, 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.

Knowing that the strike is really about the unions' efforts to keep what other Vermonters don't have, Vermonters will understand that the way the unions want to maintain their superior wages and benefits is to strike and cause service disruptions. 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. It's almost as if they are rooting for FairPoint to fail.

Our goal since the unions walked off the job has been to mitigate those disruptions.

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.

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.

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 us and the power companies alike, this is akin to two Irene-level weather events within a two-week period of time.

But, your words urging us to get service levels back to more normal levels are not lost on us. Serving our customers and communities is our top priority.

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.

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 strikers demand. Nor can we be so burdened if we are to price our products competitively.

So, despite what we feel are very fair terms, it appears this strike will continue and for longer than anyone wants.

FairPoint managers will continue to deliver for the people of Vermont and we will expand our temporary contracted workforce.

What you, the unions and all Vermonters have to understand is this: FairPoint cannot give in to the demands of the strikers. The benefits they demand are a barrier to the telecommunications services Vermonters – and Vermont's economy – deserve now and in the future. They are holdovers from the bygone era of landline telephone monopolies.

You said in your letter “this has gone on long enough,” and we couldn't agree more. We did not pick this fight. The unions decided to strike and walked off the job. It is the unions who will decide when to end the strike.

In the meantime, we will continue to work tirelessly to meet the needs of our customers and communities while also ensuring that FairPoint is positioned to offer competitively priced communication services, and great jobs in Vermont, well into the future.

Again, thank you for the opportunity to offer these critically important facts.

Sincerely,

Paul Sunu
Chief Executive Officer

Cc: Lt. Governor Phil Scott
Hon. Shap Smith, Speaker of the House of Representatives
Hon. John Campbell, President Pro Tem of the Vermont State Senate
Commissioner Chris Recchia, Vermont Department of Public Service
Secretary Patricia Moulton-Powden, Vermont Agency of Commerce and
Community Development

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