

FAIRPOINT STABILIZATION PLAN UPDATE AND MILESTONES

APRIL 17, 2009

This update is designed to clarify and enhance the original FairPoint Stabilization Plan dated 3/31/09. It will address specific issues brought to our attention since the original plan, update and provide more detail to our recovery and mitigation plans, and define specific milestones for the critical areas of the business. We will also explain how the milestones will be measured and reported. This document is an additive to the original plan, and not a replacement. The update will respond to all of the areas addressed by the Vermont Department of Public Service filing dated April 15, 2009. Although this was filed in Vermont, our understanding is the areas addressed that require further explanation are consistent for all the Northern New England states.

What is being done to address defects and deficiencies in FairPoint's processes, systems and data:

In discussing defect resolution, it is important to define the term. A defect can be a system problem, a data problem or even a process issue. It is an identification of an issue that when rectified will produce a better result. We have developed a systematic way of identifying and addressing defects in the business. We will address the identification processes first, and then review how we are correcting the identified defects. The proactive approaches in place today include the following:

The call centers recently implemented a process to specifically identify not only what type of calls they were receiving in the call centers (this has been in place for some time), but the time it was taking to effectively handle each type of customer call. A work study was then performed to identify both system and process improvements that could improve average handle times (AHT) without impacting customer satisfaction. As expected this has led to improvement opportunities that have and will continue to improve our call center results.

As noted in the Stabilization Plan, FairPoint has put a very high emphasis focused on improving our order flow results. Several defect identification plans are already mentioned in the Stabilization Plan including the work and improvements we've experienced with unsubmitted orders, the internal audit underway to validate our physical inventory of network elements and the work of the SWAT teams to identify and prioritize defects. Additionally, actions are taking place in each order queue that has experienced difficulty, as well as across the queues to identify defects. Capgemini has deployed employees with a high level of system expertise to quickly identify the areas causing FairPoint employees the greatest issues in moving fallout orders through to completion. This provides several benefits. If the delays are caused by system proficiency, specific directed training has been implemented. If the delays are caused by data discrepancies or system problems, the defect resolutions have been immediately sent to Capgemini for resolution. Given that the input comes from someone with a high level of system

knowledge, the ability to implement a specific fix has been greatly enhanced. We have also implemented daily reporting by queue and work area to prioritize issues that need immediate resolution.

The billing team utilizes a comprehensive pre-bill process to identify defects before bills are sent out. This process is noted in the Stabilization Plan and has worked very well as a vehicle to proactively identify defects. The billing team also depends on direct feedback from our customers to identify defects. There is a daily process working with our call centers to receive direct customer feedback of any billing issues. This allows the team to identify a potential defect, review the account in detail, and if in fact a defect has been identified, look for customers with the same product, calculate the scope of the problem and immediately move the issue for defect resolution.

In addition to all the programs mentioned, a major component of defect identification is the direct input from all of our employees.

Once a defect is identified, it goes through a prioritization and resolution process. The prioritization process is initiated by each of the functional organizations within FairPoint. The defect is assessed to determine the impact of a potential fix. This generates a top 10 list by department. This list is worked on daily by Capgemini, and insures the fixes that generate the greatest impact have the highest priority. Once a fix has been completed it goes through a testing process, and then is implemented into the production environment. Each day a list of resolutions is reported detailing the fix, the department that will benefit, and what specific issue was resolved.

It should also be noted, that FairPoint engaged KPMG and Heifetz Halle Consulting Group to work with the company. KPMG among other things will look at and report on FairPoint's processes to identify and rectify defects from a systems perspective, and HHCG will do the same thing from a people and organization perspective. The insights from these two consulting practices will be made available to FairPoint starting this month.

What is the plan to remedy the problem of significant delayed payment to vendors:

FairPoint took complete control of their financial systems at cutover. An assessment was made of our accounts payable, and we identified we were paying many vendors ahead of the invoice due date. We also at that time made a conscious management decision to be very cautious with our cash. The cutover caused a billing delay to our customers and it was uncertain what impact this would have on our operating capital. We have now been back to normal billing cycles for more than a month, however we haven't completely recovered from billing delays associated with February. In addition we have not yet resumed normal collection activities. As a result we continue to be cautious with our cash position. It is important for the company to continue to be very diligent in maximizing its working capital. To that end we are working both our receivables and payables to maximize the result. This is not an area that has any systems or process issues, and as requested we will report regularly on our payables as part of our financial reporting.

What is being done to assure that all relevant data bases are being updated when an order is shown to be complete – this would include DA, E911, LIDB/CNAM and published directories:

FairPoint has a provisioning plan for all of its products that includes updating all appropriate outside databases as part of order completion. Starting in February, we became aware that some of the provisioning plans were not working as designed and that some orders were completing in the system without the appropriate database update. A review of the provisioning plans commenced and several were updated to make sure the proper update took place before the order was designated complete. The diligence will continue with our provisioning plans to make sure completed orders are in fact complete.

What is FairPoint doing to assure that the numbers reported to show progress are accurate:

We have initiated a call out procedure to eliminate “false positive” installation completions. This is outlined in the Stabilization Plan. This appeared to be the biggest issue with reporting accurate data. We are also using several processes in our reporting of data. When the reports are initiated anomalies are noted for inspection. We have added descriptive notes to our reports that more accurately describe what is being tracked and reported on to eliminate misunderstandings and discrepancies. We are also planning a process working with Liberty to validate CLEC completion data.

What is being done for wholesale customers, specifically for all areas associated with pre-order, daily usage files, line loss reporting, wholesale billing timeliness and completeness, CLEC communications and the CLEC complaint process as well as assuring wholesale and retail parity:

As noted in the Stabilization Plan and confirmed by the CLEC there has been significant progress in the pre-order area especially with pulling CSR – CSI information. Improvements have also been noted in loop qualifications as the databases used to source this information have been corrected. We have also maintained a manual workaround process for both of these areas to accommodate large CSR - CSI requests and for instances when our systems don't immediately provide the requested information. Although this process is in place and has worked well, we are adding a response acknowledgement as requested by the CLECs. As part of this process on 4/10/09 we also provided our wholesale customers an updated escalation list with email and phone numbers for escalations as needed.

All of our CLEC customers are receiving their Daily Usage Feeds (DUF) files. The question currently being addressed is if all the activity is being transmitted to the Wholesale customer. This analysis is currently ongoing with any Wholesale customer who believes there is a discrepancy and FairPoint.

Our line loss report is currently available for all CLECs to retrieve and work with. It is also pushed out to two CLECs who requested that capability. At this time we are unaware of any issues with the line loss report.

Wholesale billing timeliness and completeness have been raised as concerns. Wholesale billing essentially comes out of two of our billing systems, Kenan and CDG. The CDG bills are up to date and on time. We have recently converted several CLECs to all electronic bills that should eliminate some of the lost bills associated with paper bills. We have also alerted CLEC customers to our process of not sending bills to CLECs when the specific billing account number is \$0 and there was no activity on the account. This clarification has helped all parties understand the status of certain bills. We are working with several CLECs investigating levels of usage that appear to be different than what they experienced in the past, and will continue to work those items to resolution. Resale bills come out of our Kenan billing systems, and in some instances are late. This is specific to a type of electronic billing feed that will be completed prior to the end of April. Any impacted CLEC should receive this bill before the end of the month.

The communication plan for CLECs is fairly robust. In addition to accessible letters and updates that go out regularly, CLECs have a call twice a week to review open items and issues. FairPoint also holds a full day Wholesale Users Forum every other month. This is a face to face session with the wholesale customers and FairPoint management. We have also just initiated a new program with the CLECs to insure we are in sync, and identify and more quickly resolve system issues. This program is the Cooperative Monitoring Process, where FairPoint IT and CLECs work orders together to identify any problem, solve any issues and make sure all parties are clear on what is being experienced, and what can be done.

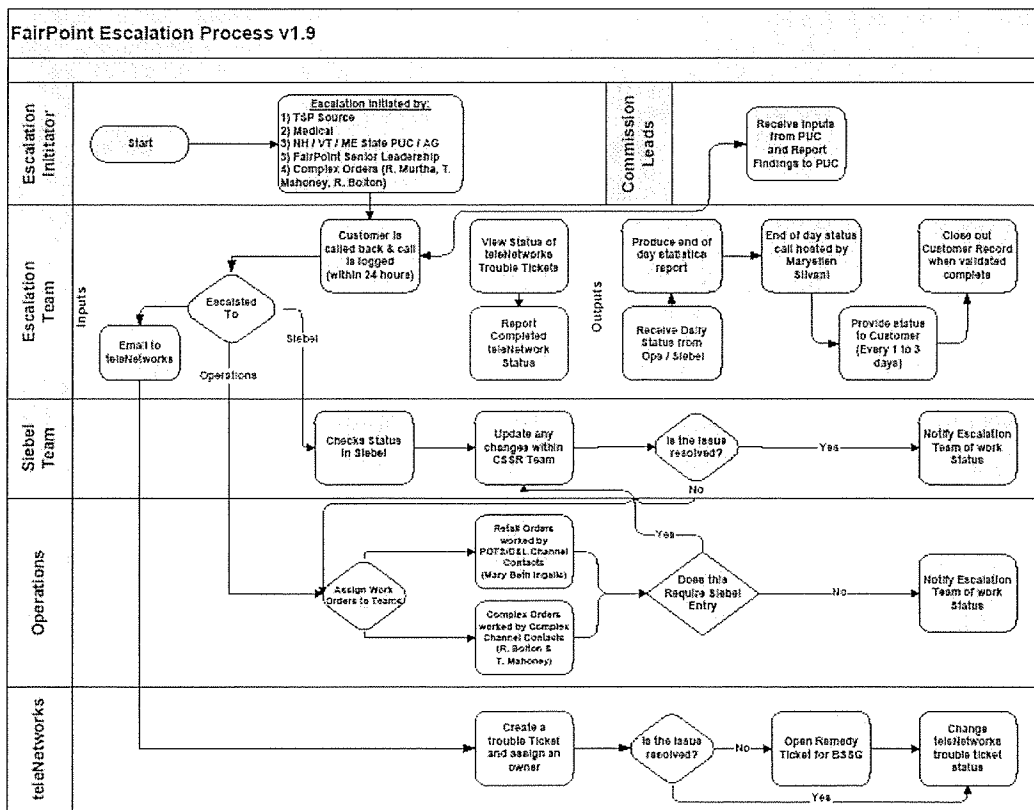
If a CLEC is not getting any of their issues resolved, there are several avenues in place to escalate complaints. As just described in the CLEC communications plan, there are many opportunities to express complaints directly to FairPoint management. As mentioned earlier, on 4/10/09 we resent an updated escalation list, and have also recently sent out a revised FairPoint organization chart to insure all CLECs have a complete list of FairPoint employees to escalate their issues. If FairPoint is unable to resolve a CLEC issue there is a rapid response program in place for the CLEC to utilize if necessary.

Parity is very important for FairPoint. As mentioned in the Stabilization plan, our systems are set up not to differentiate between a wholesale and retail order. Once through the front end, all like orders regardless of their origin go through all the same queues to completion. We also utilize the same interval guide for both wholesale and retail to ensure installation intervals for like products are quoted consistently. FairPoint has changed the daily reporting it shares with the 3 states and Liberty consulting to include more detail measures for both wholesale and retail to quickly identify, review and correct any discrepancies.

What steps is FairPoint taking to remedy the commission escalation and appeals process:

FairPoint describes its current process for handling escalations and appeals in its Stabilization Plan. The process of prioritizing these escalations has not changed, but the organization to address escalations with the help of our internal project management has evolved. Given the problems we've experienced in order flow and to some extent billing, the number of escalations had continued to grow. It was therefore necessary to put more structure and resource into this area until the number of escalations is reduced. We utilized our project management office to assist in this area, and as mentioned also increased the dedicated employee resource to resolve the customer's issues.

The following is the flow chart that we now utilize to manage and work the escalations that come into the company.



FairPoint will start producing and distributing daily results of its escalations and appeals starting on Wednesday 4/22/09 as part of its daily report.



Milestones:

The following are the milestones designed to measure FairPoint's progress to achieve Business As Usual prior to the end of the second quarter. For each area a baseline has been identified. This essentially measures the current status or the status on or about April 1, 2009. A BAU standard is also identified and target objectives are listed on a weekly basis starting with the week ending 4/24/09 and ending with the week ending 6/26/09. These will be reported on weekly with the objective, actual result, variance and the actions or activities implemented that week that drove the progress

PERCENT FLOW THROUGH (CURRENT DAY)



To be provided by 4/23/09 with milestones beginning for week ending 4/24/09.

UNSUBMITTED ORDERS: The Stabilization Plan describes both what is meant by an unsubmitted order as well as defining BAU as between 1500 – 2000 orders. We used the midpoint of this measurement to set our BAU objective. The majority of the improvement in the area is behind us, as this has decreased from 7906 orders on 3/2/09.



<u>Date</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

SERVICE PENDING (LATE): This measurement focuses on the pending orders that are past their due date. We set milestones for each of the various product areas we are tracking. BAU assumes a certain number of orders will continue to show late, based a variety of normal circumstances.



Retail POTS:

<u>Date</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		



Retail DSL:

<u>Date</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		


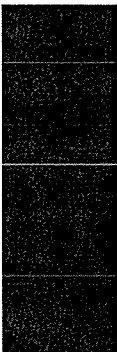
Retail Other:

<u>Date</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

LSR:

<u>Date</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

ASR:



<u>Date</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

AVERAGE DELAY DAYS:



To be provided by 4/23/09 with milestones beginning with week ending 4/24/09.

NUMBER OF ORDERS > 20 DAYS LATE:



Retail POTS:

<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		



Retail DSL:

<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		


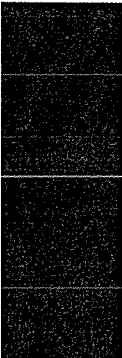
Retail Other:

<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

LSR:



<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

ASR:



<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

TOTAL ORDERS ENTERED PRE 2/9/09 STILL PENDING: Initially ASR and LSR orders will be tracked against milestones. Milestones will be added for Retail orders by 4/23/09 and will be included in the report for the week ending 4/24/09.

LSR:



<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

ASR:



<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

PERCENT OF BILLS KNOWN TO BE IN ERROR: Milestones will be set to this metric to track the progress we're making in our billing accuracy. This metric will not include billing disputes where the bills were produce as planned and a customer (either wholesale or retail) disputes the bill.



Retail:

<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/26		
6/5		
6/12		
6/19		
6/26		

Wholesale (Resale):


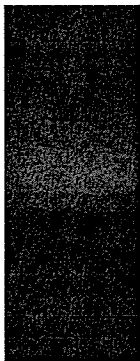
<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

Wholesale (all other):



<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

DAILY \$ AMOUNT OF BILLING ADJUSTMENTS:


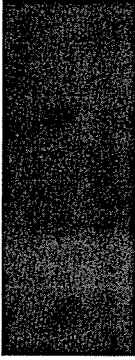
Retail:

<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

Wholesale (Resale):

<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

Wholesale (all other):

<u>Date:</u>	<u>Actual</u>	<u>Objective</u>
4/14 (Current)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

PERCENT OF CALLS ABANDONED: We will track and set milestones for the calls abandoned in each of our consumer, business and repair call centers. These measurements will be a weekly average for each center given the call volume differences that are experienced depending on which day of the week is reviewed. The repair center is open on weekends, but for the purposes of this report and setting milestones only weekdays will be included. The results on the weekend are already at BAU levels with excellent results. The repair center also has a seasonal attribute. Total repair tickets and therefore calls into the center are at their highest in late spring and summer due to weather events. This seasonality was taken into account for the milestones. The results in this center will continue to improve as the year progress.



CSSC:

<u>Date (week ending):</u>	<u>Actual</u>	<u>Objective</u>
3/27 (Baseline)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

BSSC:



<u>Date (week ending):</u>	<u>Actual</u>	<u>Objective</u>
3/27 (Baseline)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

Repair:

<u>Date (week ending):</u>	<u>Actual</u>	<u>Objective</u>
3/27 (Baseline)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

AVERAGE WAIT TIME: We will set milestones for the time our customer wait to talk to one of our representatives in the three call centers previously mentioned. We will also only use measurements during the weekdays for the repair call center, and again there is a seasonality factor. Measurements are all in minutes.

CSSC:

<u>Date (week ending):</u>	<u>Actual</u>	<u>Objective</u>
3/27 (Baseline)		
4/24		
5/1		
5/8		
5/15		
5/22		
5/29		
6/5		
6/12		
6/19		
6/26		

BSSC:

Date (week ending):

3/27 (Baseline)
4/24
5/1
5/8
5/15
5/22
5/29
6/5
6/12
6/19
6/26

Actual



Objective



Repair:

Date (week ending):

3/27 (Baseline)
4/24
5/1
5/8
5/15
5/22
5/29
6/5
6/12
6/19
6/26

Actual



Objective

