

**THE PROMISES VS. REALITIES OF RECENT ILEC MERGERS AND ACQUISITIONS**

Transaction	Closing Date	Broadband / New Services Deployments		Service Quality	
		Pre-Merger Claims	Post-Merger Reality	Pre-Merger Claims	Post-Merger Reality
Carlyle Group's Acquisition of Verizon-Hawaii (aka Hawaiian Telcom)	May 2005	"In short order we will offer new services to our customers, including expanded broadband..." Carlyle Press Release 5/21/04	From 2006 through 3Q 2008, added only 3,247 net retail broadband lines Hawaiian Telcom 2007 Form 10-K and 3Q2008 10-Q	"Applicants also allude to improved customer service that will be achieved through investment in state-of-the-art back office systems." HI PUC Order No. 21696, at 20	"Largely because of impacts from this cutover, Hawaiian Telcom also experienced very significant slow-downs in call answer and handling times in its customer contact centers and errors in its billing during this time [7/06—9/07]" HI PUC Annual Report 2008-2009, at 58.
FairPoint's Acquisition of Verizon operations in ME, NH, and VT	March 2008	Will invest to expand offering of LD, DSL, web-hosting, and hosted e-mail services in region. FCC Application. at 17  "FairPoint plans to increase broadband availability from current levels in Maine, New Hampshire, and Vermont within twelve months after the completion of the merger..." FCC Application at 18	Reorganization Plan includes delays/cut-backs to broadband deployment commitments, foregoes cap on DSL rates  "I am concerned that FairPoint has used the bankruptcy proceeding as an opportunity to renege on its promises to Maine consumers especially in the area of broadband build out." Dissent of Commissioner Viafades, MPUC Order 7/6/10	"...will enhance service quality and promote competition..." FCC Application at 18	Retail -- Severe service quality declines, 2009 trigger of maximum payment under Retail SQ Plan. VT PSB Order 6/28/10 at 10  Wholesale -- OSS failures, order fall-out and manual handling. <i>Id.</i> at 68-69

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Frontier's Acquisition of Verizon operations in 14 states	July 2010	"Frontier believes that... it can dramatically accelerate broadband penetration in these new markets over time." FCC Application at 3	Too early to assess	"this transaction will be seamless for retail and wholesale customers" FCC Application at 4	Wholesale OSS failures, ordering delays, understaffed Access Order centers, trouble report backlogs
CenturyTel-Embarq Merger	July 2009	"...consumers will also benefit from more rapid deployment of advanced services, including IPTV and next-generation broadband-based services" FCC Application at 4	Separately, CT and Embarq added 185,000 broadband lines in 2008; in 2009, the merged company added 191,000 – just 6,000 lines more. CT and Embarq Form 10-Ks for 2008, 2009	"the proposed transaction will not disrupt services to customers of CenturyTel and Embarq" FCC Application at 7	CenturyLink seeks waiver of FCC's 1 bus.-day number porting req't. CL Petition filed 6/7/10  tw telecom and Socket Telecom experience EASE system failures beginning in late 2009. 7/12/10 Comments to FCC at 29-30

Transaction	Closing Date	Job Creation		Financial Stability/Performance	
		Pre-Merger Claims	Post-Merger Reality	Pre-Merger Claims	Post-Merger Reality
Carlyle Group's Acquisition of Verizon-Hawaii (aka Hawaiian Telcom)	May 2005	"...we expect to add many new jobs after the acquisition." Carlyle Press Rel. 5/21/04	March 2010, approx. 1450 employees -- 15% decline from pre-sale level Form 10-A 5/16/10 and Honolulu Starbulletin, 10/14/04	"Carlyle has a track record of successful telecommunications investments..." Carlyle Press Rel. 5/21/04	Dec 2008, Chapter 11 Bankruptcy Filing  Annual RoR as of June 2009: <u>-29.3%</u>

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		Pre-Merger Claims	Post-Merger Reality	Pre-Merger Claims	Post-Merger Reality
FairPoint's Acquisition of Verizon operations in ME, NH, and VT	March 2008	"Preserve 3000 In-region jobs, Add 600 New Jobs, Add 3 New In-region Local Service Centers"	Chapter 11 Reorganization Plan defers raises, creates task force to cut operating expenses by \$-millions. Nashua Telegraph 2/9/10	"the proposed transaction will further enhance FairPoint's ability to serve customers in these states by improving its overall financial flexibility and stability" FCC Appln. at 19	Oct 2009, Chapter 11 Bankruptcy Filing  "FairPoint's actual performance throughout 2008 and 2009 turned out to be worse than the Board's most pessimistic assumptions." VT PSB Order 6/28/10 at 58
Frontier's Acquisition of Verizon operations in 14 states	July 2010	"Frontier will operate a regional operations headquarters in Charleston, West Virginia, creating and preserving jobs..." FCC Appln., Public Interest Stmt. at 22	Pending, too early to assess	"the transaction will transform Frontier by strengthening its balance sheet. Once the transaction closes, Frontier expects that its ratio of debt to EBITDA will decrease from 3.8 to 2.6..."	"Our net debt to adjusted EBITDA ratio at quarter end was 3.9x, comparable to Q4 2009." Frontier 1Q2010 Earnings Call Transcript 5/6/10 (Seeking Alpha.com)
CenturyTel-Embarq Merger	July 2009	No commitments made	CL "management has cut about 1,000 from its 20,000 employee base." <i>CenturyLink lays off another 600 Embarq workers</i> , Fierce Telecom 1/11/10	"the merger will ... help ensure the future financial stability of the combined enterprise." FCC Appln. at 4	"The negative rating outlook ...reflects the considerable execution risks in integrating a sizeable company so soon after another large acquisition (Embarq in July 2009)" Moody's, Rating Action 4/22/10