

Pennsylvania Telephone Association

*"The Communications
Leader in Pennsylvania"*

The Friday Report

May 15, 2009

INDUSTRY NEWS

- Frontier Communications announced mid-week that it has signed an agreement with Verizon, effectively acquiring almost 5 million of the latter's access lines in Arizona, California, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, Wisconsin, and West Virginia. (See related story in Quotable section).
- On Monday, D&E Communications and Windstream announced that the latter is acquiring the former in a deal valued at \$330 million, including \$159 million of cash and stock payments to D&E shareholders and the assumption of \$171 million of debt. Industry analysts are expecting a second half of the year consummation after federal and state regulatory consideration. The respective CEOs were quite complimentary of each other, with D&E's Jim Morozzi saying that "this merger combines best-in-class products and services of two great integrated communications providers" and Windstream CEO, Jeff Gardner, offering that "D&E is an exceptional, well-run company with a quality network that is 100 percent broadband capable."

CONGRESS NEWS

- On Thursday, California Representative Anna Eshoo introduced legislation which could be called the "don't dig twice" bill, and expectations are that a Senate version will surface in the near future. The actual title of the bill is the Broadband Conduit Deployment Act and requires that all new federal transportation projects include conduit for fiber-optic cable. Eshoo offered that in her discussions with industry experts, half the cost of new broadband deployment is attributable to tearing up and repaving roads.

THE DAILY NUMBERS

- 341.875

Earlier this week the FCC issued an Order outlining its plans for collecting \$341.9 in regulatory fees for its fiscal year 2009 operations.

- 33 and 630

In an effort to portray the intense competitive nature of the wireless marketplace, the Cellular Telecommunications Industry Association (CTIA) offered figures this week on the state of the industry. According to CTIA, 33 companies make wireless devices for the domestic market and consumers have more than 630 different handsets to choose from. In

addition, 40,000 wireless applications are available with an additional 20,000 coming online this year.

QUOTABLE

- *“This is a truly transformational transaction for Frontier. With more than 7 million access lines in 27 states, we will be the largest pure rural communications provider of voice, broadband and video services in the U.S. Frontier is committed to providing our customers with state-of-the-art technology and innovative products. We are confident that we can dramatically accelerate the penetration of broadband in these new markets during the first 18 months. We know that broadband is a catalyst for a healthy local economy and job growth. We have a track record of successfully integrating new operations and know that a seamless transition benefits customers and employees. Frontier and Verizon have gone to great lengths to ensure that the transaction will be well-executed. We will focus on execution, as well as on improving operations, delivering new products and services and achieving synergy targets. This transaction makes us a larger and even stronger company, with significantly greater free cash flow generation capability. This acquisition will benefit the communities we serve, increase opportunities for employees and allow us to continue to deliver world-class profit margins and revenue growth for shareholders.”*

Comments of Frontier Communications Chairman and CEO Maggie Wilderotter as excerpted from a Frontier News Release on the acquisition of Verizon access lines.

- *“We are unpersuaded by the commenters that urge the Commission to implement a specific cost recovery mechanism for carrier-specific costs associated with implementing the reduced porting interval. As an initial matter, we note that there are several options for carriers to recover their costs of implementing the reduced porting interval. Further, because we recognize that some providers may find it unduly burdensome to implement a one-business day porting interval even with an extended implementation period, providers may also apply for a waiver of the one-business day porting interval under the Commission’s rules.”*

Excerpt from the FCC’s Order on number porting which was approved yesterday. Among other things, the order reduces from four business days to one the requirement for simple wireline-to-wireline and intermodal ports.