

CenturyTel & Embarq:

A Stronger Service Provider for Rural America

April 22, 2009

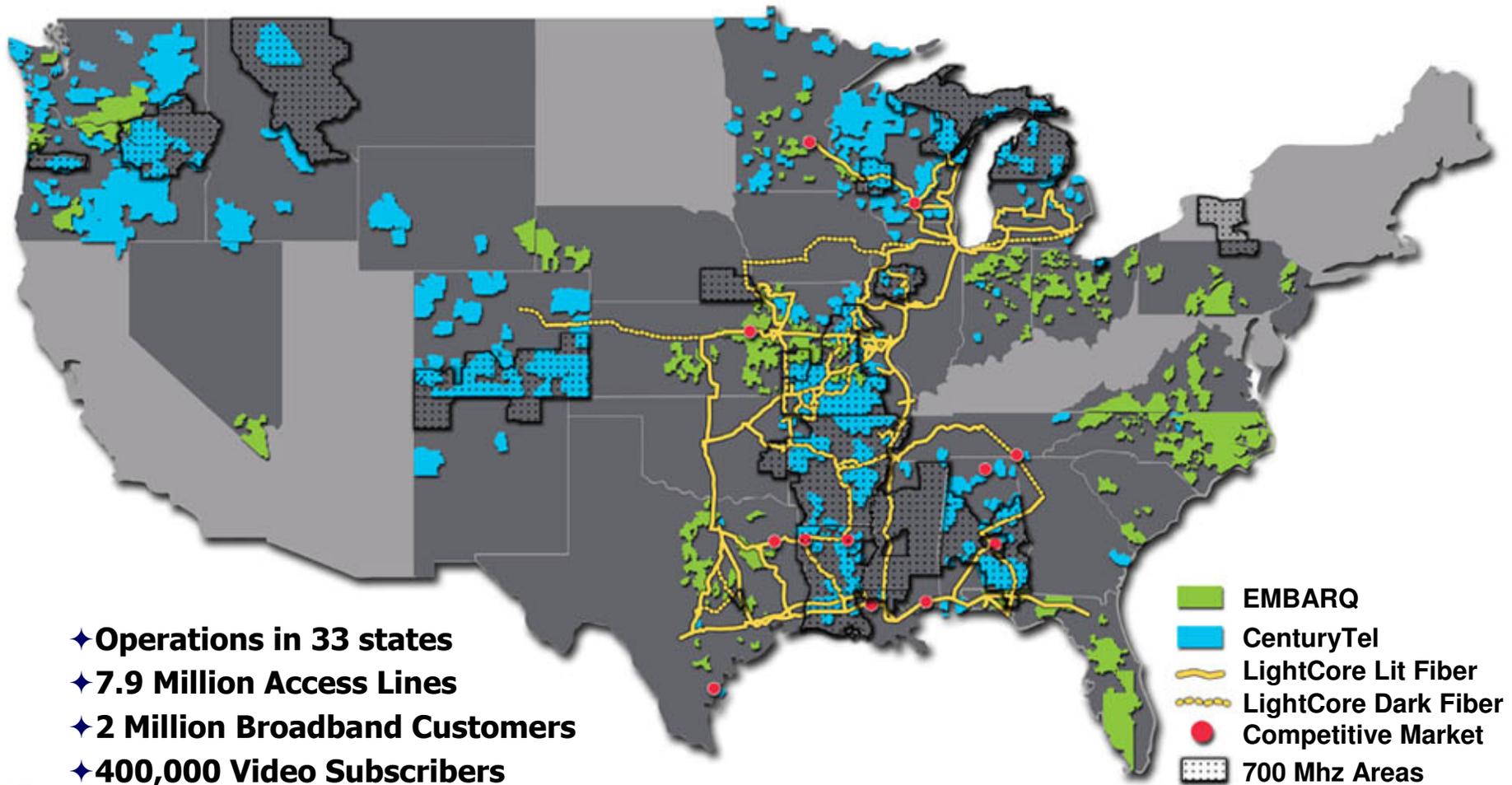
Transaction Basics

- ◆ Federal and state applications filed in November and December 2008. Public Notice released December 9, 2008.
- ◆ Joins two leading mid-size companies with a strong commitment to rural communities.
- ◆ Merger will maintain scale and create a stronger broadband competitor.
- ◆ Out of 33 states, only 16 states required approval. Eleven of those have been granted. Five state approvals and the FCC 214 approval remain.
- ◆ The remaining states are expected to approve the transaction in May 2009.

A Merger of Mid-Size Companies

- ◆ CenturyTel and Embarq are independent telcos that grew by integrating smaller, largely rural carriers.
 - ◆ They serve only 1 of the nation's top 50 cities.
 - ◆ Combined 7.9 million lines are spread over 33 states.
 - ◆ 2 million broadband customers.
- ◆ They are unlike Bell companies.
 - ◆ Not significant facilities-based long distance or wireless carriers.
 - ◆ Widely dispersed, noncontiguous service territories.
 - ◆ Not subject to Section 271 obligations or antitrust consent decrees.
 - ◆ Facing competitors much larger than themselves.
- ◆ No antitrust concerns.
 - ◆ FTC granted early termination under HSR.
 - ◆ Companies don't compete, and wouldn't be expected to enter each other's markets.
 - ◆ Few adjacent markets; minimal CLEC overlaps.

A Leading National Service Provider



New Competition for Backbone Fiber Market

- ◆ CenturyTel's core fiber network
 - ◆ 17,000 mile backbone network
 - ◆ Enables transport efficiencies
 - ◆ Attractive product portfolio for businesses and consumers
- ◆ Major carriers already are core fiber subscribers, seeking alternative to other fiber backbone providers.
- ◆ Adding Embarq's market resources allows core fiber network to provide a stronger alternative provider to Verizon and AT&T, which dominate the backbone services market today.
- ◆ Merger also will enable extending core fiber to other markets.

Expanding Services for Customers

- ◆ Merged company will leverage network and operational efficiencies to bring innovative technology and product solutions to urban, suburban, and rural markets.
- ◆ Broadband – Combined company will be a leading broadband provider delivering increased coverage, higher speeds, increased value and greater choice. Merged company will be better able to invest.
- ◆ IPTV – CenturyTel has successful IPTV service in two markets. Merged company intends to add more markets.
- ◆ Wholesale – Combining companies delivers a stronger Wholesale Division, providing network services to wireless providers, IXCs, cable companies, payphone providers, ISPs, ILECs and CLECs.
- ◆ IP Solutions for Business – Embarq offers IP products, including managed services and security solutions, that support businesses of all sizes. Merged company intends to expand to CenturyTel areas.
- ◆ Wireless – CenturyTel's 700 MHz spectrum creates opportunity to enhance customers' broadband experience with wireless data and voice capabilities in multiple states. Merged company will be better able to develop this.

A Stronger Service Provider

- ✦ Transaction will enhance consumer choices.
- ✦ Company will be a more effective service provider and network investor by realizing efficiencies and maintaining scale.
- ✦ Company will provide better wholesale service for interconnectors.
- ✦ No significant competitive overlap between the companies, no competitive harms.

Stronger Back Office Systems

- ◆ Interconnectors will benefit as the best systems and processes of both companies are adopted.
- ◆ Company expects to consolidate back office systems and processes over time.
 - ◆ Embarq brings automated systems and award-winning wholesale service.
 - ◆ Embarq is already expanding its online ordering and provisioning systems.
 - ◆ Merger will allow progressive replacement of older, more manual processes.
- ◆ Any commenters' concerns are misplaced. Service would only be expected to improve.

Precedent Shows Conditions Unwarranted

- ✦ Commission precedent shows no conditions needed or warranted for this type of transaction.
 - ✦ Any merger conditions are to be narrowly tailored.
 - ✦ Any conditions are to address transaction-specific harms to competition created by the merger, if any.
 - ✦ They're unnecessary for obligations already imposed by law.
 - ✦ They're unnecessary if other forums are available to address an issue.

Applicants Have Committed To Providing Quality Wholesale Service

New Commitments

- ◆ For Embarq companies, the merged company will maintain substantially the service levels that Embarq has provided for wholesale operations, subject to reasonable and normal allowances for the integration of CenturyTel and Embarq systems.
- ◆ CenturyTel will integrate, and adopt for CenturyTel CLEC orders, the automated Operation Support Systems (“OSS”) of Embarq within fifteen months of the transaction’s close.
- ◆ In the interim, CenturyTel will devote additional resources to its existing manual CLEC order processing system to ensure that all local number portability requests are promptly processed.
- ◆ The merged company is willing to negotiate multiple contracts in a state at the same time in most circumstances when such consolidated negotiations will aid in addressing common issues.

FCC Should Approve By May 15

- ◆ The FCC can provide much-needed economic certainty and stability for 33 states and the telecom sector by promptly granting its approval of this transaction.
- ◆ National economic conditions are unstable, and the telecom sector is no different.
- ◆ Delay benefits no one and denies consumers the benefits of a stronger, innovative and capable provider.
- ◆ The Commission has approved similar transactions on a much faster schedule.
- ◆ Approval of the merger by May 15 is critical for Recovery Act funding.
 - ◆ Stimulus funding for broadband deployment presents a tremendous opportunity for rural consumers, and CenturyTel and EMBARQ are uniquely situated to extend broadband across multiple states and thousands of rural exchanges.
 - ◆ If the merger is not approved by May 15, the companies' applications for Recovery Act support likely could be compromised, and many broadband opportunities will be lost.