

Copper Retirement Discussion

- › **D. Craig Young, CEO and Chairman**
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MegaPath Overview

- Nationwide Company headquartered in Pleasanton, CA with over 1,000 employees located in over 50 cities
- One of the largest privately held end-to-end data, VoIP, and security technologies provider serving, Enterprise, SMB and Wholesale customers for over 16 years.
 - Acts as an extension of internal IT division of its key Enterprise and multi-location SMB customers
 - Enables businesses to lower costs, increase security, and enhance productivity
- Industry-leading products
 - Provide Business Class DSL, MPLS, Managed Security, VoIP & Cloud Services
 - Provide Nationwide Wholesale Access products; DSL, T1 and Ethernet Over Copper
 - Industry Pioneer in DSL, MPLS and Hosted VoIP
 - Recipient of multiple and repeat Product of the Year Awards
- Nationwide owned and operated fiber-optic MPLS core network
 - Delivering customer MPLS VPNs for over 10 years
 - Fully PCI Compliant and HIPAA-ready network
 - Industry-leading customer support available 24x7x365
 - Partners with over 40 providers to deliver last mile connectivity. Two primary last mile partners being AT&T and Verizon



Deloitte



Deloitte's 2009
Technology Fast 500™



MegaPath Overview

- Nationwide owned and operated COLO network:



- › **MegaPath is physically present in over 2,000 CO's in the Top 50 US markets**

- IP-POPs in 15 markets
- Reach 4,000 CO's via Loop & Tail
- Serving 240 metro areas
- Reaching over 11 million business addresses

- › **Largest CLEC EoC footprint in the U.S.**

- Utilizing the AdTran TA-5000
- 700 CO's enabled for Ethernet Access

- › **We serve a Customer Base of approximately 52,000 with copper based solutions**

- 50,000 SMB customers
- 1,550 Enterprise customers
- 460 Wholesale customers
- 146,000 Hosted VoIP seats



Customer Overview

- Top 3 verticals are Professional Services, Hospitality and Retail with no SIC classification representing more than 10% of recurring revenue
- Recurring revenue by segment (2012): SMB – 56%; Wholesale – 26%; Enterprise – 18%

Financial & Insurance	      
Manufacturing / Services	        
Healthcare	      
Retail	            
Publishing / Consulting	     
Technology	     
Wholesale	       

Copper Retirement – What It Means to the industry

- Elimination of many current broadband offerings to customers from CLECs:
 - EOC – 3 to 100 meg services to most business customers
 - DSL – low cost/high availability broadband to SMB customers
- Strands billions of dollars of investment in competitive products, services, and companies
- Eliminates future innovation of products and services over existing copper infrastructure
- Limits future innovation and investment to only a few big players (AT&T, Verizon, Wireless players and Cable) who have the capital and time to replace the current copper infrastructure with fiber or wireless alternatives. In addition, these players will control who can provide services over the PSTN and what services can run over the PSTN through pricing and/or only offering finished service products.
- Reduces competitive alternatives and increases prices for customers

Copper Retirement – Real Case Study

- Real world example – Super Storm Sandy hits NY
 - Broad Street CO – one of MegaPath’s most successful COs for EoC sales
 - 100% copper circuits down
 - West Street CO – also affected
 - 70% MP circuits up; 30% MP circuits down
- Verizon is proposing all fiber installations for both COs
 - Broad Street - no rebuild of copper plant
 - West Street – If customer up, will not repair or maintain working copper; if customer down, require fiber replacement
 - For both COs – for new customers, MegaPath forced to order fiber-based facility or services
- To replace current MegaPath copper-based services with same amount of bandwidth for customer, will require more loops at a higher unit cost than current UNE rates for xDSL copper circuit
- Copper retirement will significantly increase MegaPath’s monthly recurring costs to deliver a comparable service (depending on Vz replacement offerings) which in turn will increase our prices to SMB & Enterprise customers.

In Summary

- Copper Retirement will:
 - Significantly increase the LEC's wholesale pricing structure and reduce competitive retail offerings to the public from CLEC's
 - Kill copper-based Products (DSL and EoC) in any CO where copper is retired or not maintained
 - Kill further Technological Innovations and Advancements on an infrastructure that touches every business and home in America
 - Negate the Pro-Competitive Intent of the 1996 Telecom Act and diminish real competition, investment, and jobs
- What the industry needs to promote competition:
 - Competitive wholesale pricing and products which allow smaller competitors to add value added services to the public
 - A packetized loop product with the same features and cost point as current UNE loops