



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE NOTIFICATION OF
CENTURYTEL, INC. AND UNITED TELEPHONE)
COMPANY OF NEW JERSEY INC. D/B/A)
EMBARQ OF AN INDIRECT TRANSFER OF)
CONTROL)

ORDER OF APPROVAL

DOCKET NO. TM08111017

(SERVICE LIST ATTACHED)

BY THE BOARD

BACKGROUND AND PROCEDURAL HISTORY

On November 26, 2008, CenturyTel Inc. ("CenturyTel") and United Telephone Company of New Jersey, Inc. d/b/a Embarq ("United NJ") filed a Notification of an Indirect Transfer of Control with the Board of Public Utilities ("Board"). United NJ is a wholly owned subsidiary of Embarq Corporation ("Embarq").

Embarq and CenturyTel entered into an Agreement and Plan of Merger as of October 26, 2008. Embarq is a publicly traded Delaware corporation, offering communications services to residential and business customers, including local long distance and high speed data, wireless, and video services. Embarq provides services in 18 states and serves approximately 6.5 million local access lines. United NJ provides local exchange services in all or parts of five counties in the Western and Northern portion of the state. United NJ serves approximately 176,756 access lines in the state. CenturyTel is a Louisiana corporation, serving approximately 2.1 million local access lines in 25 states, but does not provide any services in New Jersey.

Upon completion of the proposed transaction, the parent company of United NJ will change from Embarq to CenturyTel. CenturyTel formed a new direct wholly owned subsidiary named CAC, which will merge with Embarq and become the surviving corporation. According to the agreement, the transaction will be a stock-for-stock transaction. The transaction has been described as being in the public interest as it will provide consumer benefits, especially for those customers in rural areas throughout the state, because the merger will result in creating a variety of products and services allegedly preferred by rural customers.

As stated in their Notification, the combined companies have solid financial backgrounds and capital that will enable them to capitalize on their collective knowledge of the industry and services needed for New Jersey's consumers. The merged companies will become the largest independent wireline communications company in the nation, serving approximately 8 million access lines, 2 million broadband customers, and 400,000 video subscribers, thereby

enhancing the company's competitive position in the marketplace. The companies contend that the merger will ensure continued high quality service to consumers.

CenturyTel and United NJ assert that Board approval of the Transaction is not required under N.J.S.A. 48:2-51.1(b). As described by CenturyTel and United NJ, the Transaction is at the parent level and has no direct effect on United NJ. CenturyTel does not directly provide telecommunications services in New Jersey and does not own or control other telecommunications service providers in New Jersey. Accordingly, CenturyTel and United NJ claim that the Transaction is within the exception to the statute and therefore does not require Board approval.

DISCUSSION

On December 16, 2008, the Board received a Motion to Intervene on behalf of the International Brotherhood of Electrical Workers, Local 827 ("IBEW"). On December 18, 2008 the Division of Rate Counsel ("Rate Counsel") responded to the Notification. Rate Counsel sought a declaratory ruling by the Board that the transaction be subject to Board review and approval, and to have the matter deemed a contested case. On December 24, 2008, CenturyTel and United NJ sought an extension of time to reply to the filed comments of Rate Counsel.

On December 29, 2008, CenturyTel and United NJ filed opposition papers in response to the motion for intervention filed by the IBEW. They contend that the motion is improper as the case has not been deemed a contested matter and accordingly it is inappropriate for any party to seek leave to intervene. Further, CenturyTel and United NJ argue that IBEW has not satisfied the requirements for intervention under N.J.A.C. 1:1-16.1 and 16.3.

On March 12, 2009, IBEW filed a letter with the Board, seeking to withdraw its motion to intervene. This request is unopposed.

Throughout the above process, Board Staff, Rate Counsel, CenturyTel, and United NJ engaged in a series of settlement discussions, resulting in a signed Stipulation on January 29, 2009, signed by representatives of both CenturyTel and United NJ, and Rate Counsel. This Stipulation, attached to this Order, resolves all outstanding issues between CenturyTel and United NJ, and Rate Counsel. Most notably, the Stipulation acknowledges the disagreement over the intent and impact of N.J.S.A. 48:2-51.1 and the role the Board must play in approving the proposed Transaction. The Stipulation recognizes that the parties have not come to an agreement regarding this issue, but will instead reserve their respective rights to challenge or assert the applicability of N.J.S.A. 48:2-51.1 in any future transactions. Finally, CenturyTel and United NJ, and Rate Counsel, agree that the approval of this Stipulation by the Board obviates the need to address or resolve the applicability of N.J.S.A. 48:2-51.1 in this matter.

Under the terms and conditions of the Stipulation, CenturyTel and United NJ agree that the commitments made by United NJ in I/M/O of the Board Investigation Regarding the Reclassification of Incumbent Local Exchange Carrier (ILEC) Services as Competitive and I/M/O the Application of United Telephone Company of New Jersey, Inc. d/b/a Embarq for Approval of Plan for Alternative Regulation, Order, Dkt. No. TX07110873 and TO08060451, remain in effect as if explicitly set forth in the Stipulation.

Likewise, CenturyTel and United NJ agree that any applicable unexpired commitments made by United NJ in I/M/O United Telephone Company of New Jersey, Inc. d/b/a Sprint and LTD Holding Company for Approval Pursuant to N.J.S.A. 48:2-51.1 and N.J.S.A. 48:3-10 of a

Change in Ownership and Control, Order, BPU Docket No. TM05080739, dated March 9, 2006, will continue in effect and will be unchanged as a result of the Transaction.

Finally, based upon information provided during the course of the negotiations, CenturyTel and United NJ, and Rate Counsel, assert that the Transaction will have positive benefits, is appropriate and proper, and should be approved by the Board.

ANALYSIS

N.J.S.A. 48:2-51.1 provides as follows: "No person shall acquire or seek to acquire control of a public utility directly or indirectly . . . without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void." That provision provides as follows with respect to the review by the BPU: "In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates." The current merger standard is the positive benefits test. As per N.J.A.C. 14:1-5.14(c), positive benefits must result from the transaction in order for the Board to approve a merger. While acknowledging that CenturyTel and United NJ assert that this statute does not apply to this Transaction, the Board will nevertheless conduct its analysis based upon this framework.

No Adverse Impact:

Impact on Competition

The Proposed Transaction is not expected to adversely impact competition, because the combined entity will continue to provide service to the same number of customers in New Jersey, and will continue to compete with other telecommunications providers.

Impact on Rates

The Proposed Transaction will not have any immediate or direct impact on the rates of New Jersey customers. CenturyTel and United NJ have committed to operating in conformity with I/M/O of the Board Investigation Regarding the Reclassification of Incumbent Local Exchange Carrier (ILEC) Services as Competitive and I/M/O the Application of United Telephone Company of New Jersey, Inc. d/b/a Embarq for Approval of Plan for Alternative Regulation, Order, Dkt. No. TX07110873 and TO08060451; and I/M/O United Telephone Company of New Jersey, Inc. d/b/a Sprint and LTD Holding Company for Approval Pursuant to N.J.S.A. 48:2-51.1 and N.J.S.A. 48:3-10 of a Change in Ownership and Control, Order, BPU Docket No. TM05080739, dated March 9, 2006, such that no rate impact is expected from the Transaction.

Impact on Employees

The Proposed Transaction will not have an adverse impact on the employees in the State. CenturyTel and United NJ have agreed to abide by all existing labor contracts currently in effect.

Impact on Service

The Proposed Transaction will not have an adverse impact on the continued provision of safe, adequate and proper service at just and reasonable rates in fulfillment of New Jersey law.

CenturyTel and United NJ have committed that any changes in the products and services it provides will be made in full compliance with all applicable agreements, orders, rules and laws.

The Proposed Transaction will not affect the Board's powers or jurisdiction with respect to the New Jersey Operating Utility or the authority of any other governmental agencies as to the services or facilities of the New Jersey Operating Utility. The New Jersey Operating Utility will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of New Jersey public utilities.

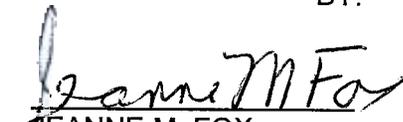
Positive Benefits:

Furthermore, the Proposed Transaction is expected to provide a positive benefit by creating a strong, well-financed competitive entity in the telecommunications industry. The merged entity is expected to be better able to access capital markets, implement advanced services and technologies, and compete against other providers in the State.

Based upon the Stipulation, and the Board's independent review of the record in this matter, and the review of N.J.S.A. 48:2-51.1, the Board HEREBY ACCEPTS the Stipulation as filed with the Board. The Board HEREBY FINDS that, as asserted in the Notification and the Stipulation, the transfer of control is not likely to create any adverse impacts and also has a likelihood of creating positive benefit by forming a business entity better able to compete financially and better suited to provide competitive telecommunications services in the State. As such, the Board HEREBY FINDS the transaction in compliance with relevant law and regulation and therefore HEREBY APPROVES the transaction as described in the Notification and attached Stipulation.

DATED: 4/3/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

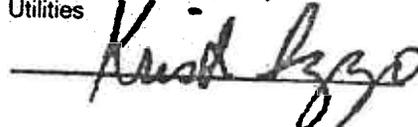

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

RECEIVED
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09 JAN 29 PM 4:40
BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

In the Matter of the Notification of : BPU Docket No. TM08111017
CenturyTel, Inc. and United Telephone :
Company of New Jersey, Inc. d/b/a Embarq :
of an Indirect Transfer of Control :

STIPULATION AND AGREEMENT

Pursuant to *N.J.A.C.* 1:1-19.1(a), the Parties hereby agree as follows:

WHEREAS, United Telephone Company of New Jersey, Inc. d/b/a Embarq (“United NJ”) and CenturyTel, Inc. (“CenturyTel”) filed a Notification Letter with the New Jersey Board of Public Utilities (the “Board”) on November 26, 2008 (BPU Docket No. TM08111017) advising the Board of a transaction which will cause an indirect transfer of control of United NJ (the “Transaction”); and

WHEREAS, United NJ is an incumbent local exchange carrier (“ILEC”) authorized to provide service in New Jersey and is a first tier, wholly owned subsidiary of Embarq Corporation (“Embarq”); and

WHEREAS, CenturyTel is a Louisiana corporation with ILEC operations in 25 states;
and

WHEREAS, CenturyTel does not provide service in New Jersey either directly or indirectly through an affiliate; and

WHEREAS, United NJ and CenturyTel provided to the Board a description of the Transaction pursuant to which CenturyTel will acquire control of Embarq and so become the indirect corporate parent of United NJ; and

WHEREAS, United NJ and CenturyTel have stated their joint position that, based on the unique facts of the Transaction, the Transaction does not require review and approval by the Board pursuant to N.J.S.A. 48:2-51.1(b); and

WHEREAS, the Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”) filed comments with the Board on December 16th, 2008, stating its position that the transaction does require approval of the Board pursuant to N.J.S.A. 48:2-51.1, *et seq.*, because Embarq through its affiliates, provides telecommunications service in New Jersey, and requesting that the Board make a declaratory ruling regarding the applicability of N.J.S.A. 48:2-51.1 et seq. to the Transaction and also to treat the Transaction as a contested matter; and

WHEREAS, United NJ, CenturyTel and Rate Counsel each acknowledge the respective positions taken by the other entities regarding the applicability of N.J.S.A. 48:2-51.1 et seq. to the Transaction; and

WHEREAS, United NJ, CenturyTel and Rate Counsel have entered into discussions and provided information with the goal of resolving matters raised in BPU Docket No. TM08111017; and

NOW, THEREFORE, United NJ, CenturyTel and Rate Counsel (together, the “Signatory Parties”) hereby agree as follows:

1 United NJ and CenturyTel agree that the commitments made by United NJ in I/M/O of the Board Investigation Regarding the Reclassification of Incumbent Local Exchange Carrier (ILEC) Services as Competitive and I/M/O the Application of United

Telephone Company of New Jersey, Inc. d/b/a Embarq for Approval of a Plan for Alternative Regulation, Order, (BPU Docket Nos. TX07110873 and TO08060451 dated August 20, 2008) will continue in effect and will be unchanged as a result of the Transaction.

2. United NJ and CenturyTel agree that any applicable unexpired commitments made by United NJ in I/M/O United Telephone Company of New Jersey, Inc. d/b/a Sprint and LTD Holding Company for Approval Pursuant to N.J.S.A. 48:2-51.1 and N.J.S.A. 48:3-10 of a Change in Ownership and Control, Order, BPU Docket No. TM05080739, dated March 9, 2006, will continue in effect and will be unchanged as a result of the Transaction.

3. United NJ and CenturyTel agree that after completion of the Transaction, any changes by United NJ in the products and services it provides will be made in full compliance with all applicable agreements, orders, rules and laws.

4. The Signatory Parties acknowledge their respective positions regarding the applicability of N.J.S.A. 48:2-51.1 et. seq. to the Transaction, and further acknowledge that they have not come to an agreement regarding this issue. Therefore, the Signatory Parties agree to reserve their respective rights to challenge or assert the applicability of N.J.S.A. 48:2-51.1 et. seq. to future proposed transactions. The Signatory Parties also agree that the issue of the applicability of N.J.S.A. 48:2-51.1 et. seq. to the Transaction will not be addressed or resolved in this matter, and that the approval of this Stipulation by the Board obviates the need to address or resolve the applicability of N.J.S.A. 48:2-51.1 et. seq. in this matter.

5. United NJ and CenturyTel have provided information and data on the anticipated impacts of the Transaction on United NJ and on competition, rates, employees, and service in New Jersey. United NJ and CenturyTel assert that the proposed Transaction has

positive benefits. In addition, it is anticipated that the proposed Transaction will not have adverse effects on competition, rates, employees or service in New Jersey.

6. The Signatory Parties have also discussed the benefits United NJ and CenturyTel anticipate will flow to New Jersey as a result of the Transaction, including that the combined entity can achieve greater economic scale and scope than the two companies operating independently, and that merging the only two mid-sized, investment grade local wireline providers will allow United NJ to have the financial stability and access to capital necessary to continue to provide reliable services at affordable rates in the increasingly competitive telecommunications marketplace.

7. Based on the foregoing and in the interest of settlement, the Signatory Parties agree that the Transaction has positive benefits and recommend that the Board approve this Stipulation and Agreement and allow the Transaction to go forward.

8. This Stipulation and Agreement shall be governed by the substantive law of New Jersey without regard to choice of law rules.

9. If any provisions of this Stipulation and Agreement are held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Stipulation and Agreement shall remain in full force and effect.

10. The entire Stipulation and Agreement has been reviewed by and is acceptable to the Signatory Parties and their counsel as to form, content and meaning. The Stipulation and Agreement was drafted jointly by the Signatory Parties; it was not drafted by any one Party and shall not be construed against any Party based on its preparation.

11. In the event of default or breach of any term and/or condition of this Stipulation and Agreement, the injured Party shall be entitled to file or use this Stipulation and Agreement

for any purpose whatsoever, including, but not limited to, enforcing the terms and conditions thereof.

12. This Stipulation and Agreement may be executed in multiple counterparts, each of which shall be an original and all of which shall constitute one agreement.

13 Any notice to be given pursuant to this Stipulation and Agreement shall be in writing and shall be given or made by confirmed facsimile or by certified, registered or overnight mail addressed as follows or to any other address upon thirty (30) days' advance written notice to the other Signatory Parties:

To: United Telephone Company of New Jersey, Inc. d/b/a Embarq
240 N. 3rd Street, Suite 201
Harrisburg, PA 17101
Attn: David Bonsick
Jeanne W. Stockman

CenturyTel, Inc.
100 CenturyTel Drive
P.O. Box 4065
Monroe, LA 71211-4065
Attn: John Jones

Rate Counsel
31 Clinton Street, 11th Floor
Newark, NJ 07101
Attn: Christopher J. White

14. This Stipulation and Agreement may not be amended or any part of its provisions waived, except by a writing executed by all of the Signatory Parties. This Stipulation and Agreement is the valid, legal and binding obligation of the Signatory Parties, enforceable against them in accordance with its terms.

15. The Signatory Parties hereby agree to be bound by this Stipulation and Agreement, and they acknowledge that they are authorized on behalf of their respective clients to

execute this Stipulation and Agreement and to bind their respective clients by their signatures below.

In witness whereof, and with the advice of counsel and intending to be legally bound, the Signatory Parties have executed this Stipulation and Agreement.

UNITED TELEPHONE COMPANY
OF NEW JERSEY, INC. d/b/a EMBARQ
CENTURYTEL, INC.

January 29, 2009
Date

By: Colleen A. Foley

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY
DEPARTMENT OF THE PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL

January 29, 2009
Date

By: Stefanie A. Brand
Stefanie A. Brand, Esq.
Director, Division of Rate Counsel

Service List

Docket No. TM08111017

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