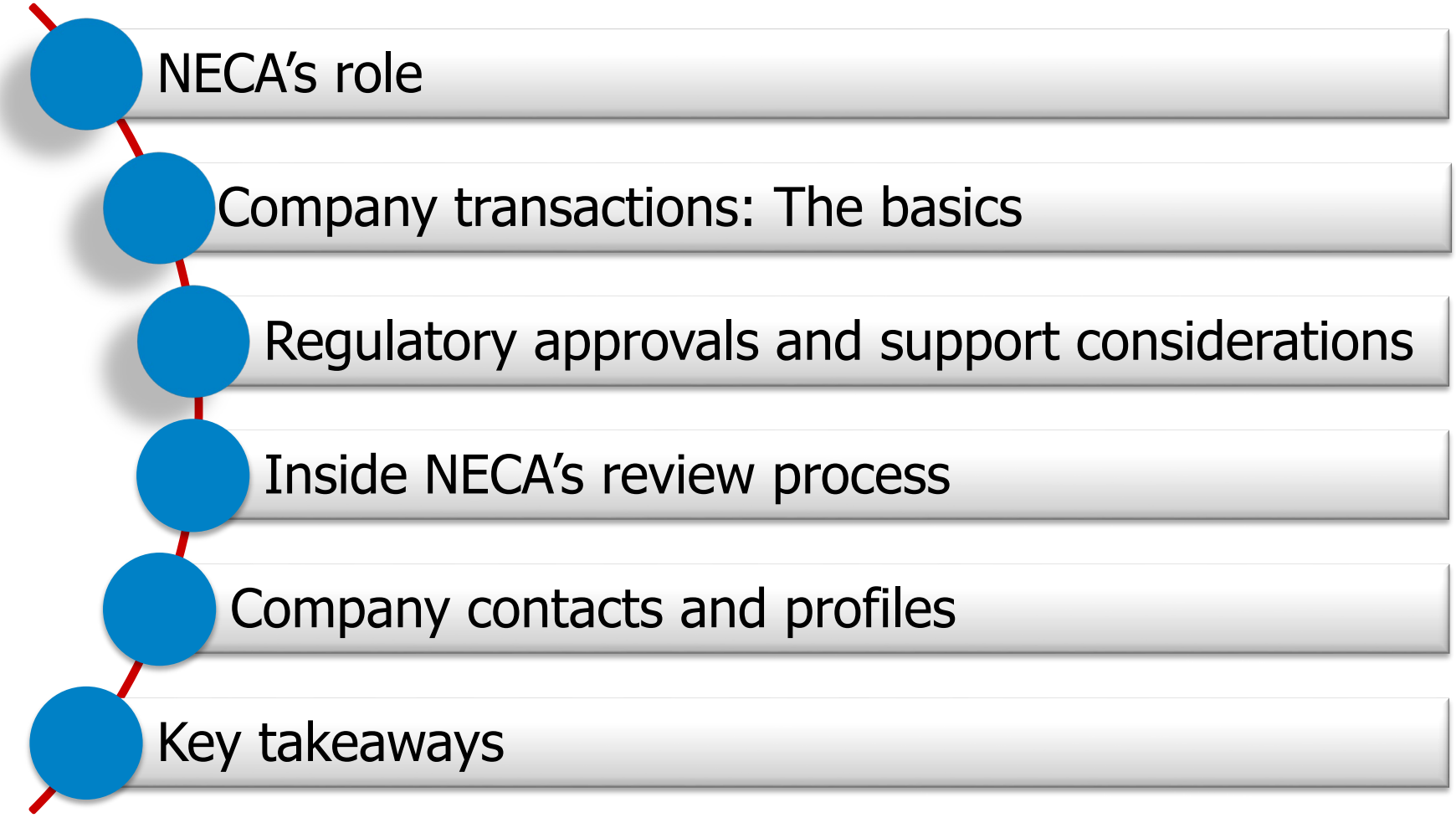
Mergers, Acquisitions and the NECA Pools

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Agenda



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NECA's role

- NECA administers the common line and traffic sensitive pools
- A transaction can affect:
  - Pool and tariff participation
  - Settlement reporting, certification and statements
  - Universal service data and support treatment
  - Cost study or average schedule treatment
  - Company records, identifiers, contacts and access
- NECA must reflect the complete operational and regulatory result

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NECA's role

- **Transaction details**
  - Legal entities and ownership
  - Stock, assets or exchanges transferred
  - Surviving or acquiring company
  - Legal closing date
- **NECA-administered impacts**
  - Study areas
  - CL and TS pools
  - Tariffs and rates
  - Cost or average schedule treatment
  - Universal service support
  - Current and prior period settlements and statements
  - Contacts and systems access

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Company transactions: The basics
Terminology

- Asset acquisition: some or all property, often exchanges, transfers to another company
- Holding company acquisition: control changes through ownership of a parent company, while operating companies may remain separate legal entities
- Merger: One company ceases to exist; the survivor assumes its assets and liabilities
- Stock acquisition: Control changes, while both companies generally remain separate legal entities
- Study area: A geographic segment of a carrier's operations, not a legal entity

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Company transactions: The basics
What changes?

- The transaction label does not, by itself, determine the resulting study area, settlement, tariff, pool or support treatment

Transaction term	What changes
Asset acquisition	Some or all property or operations transfer
Holding company acquisition	Ownership changes above the operating company level
Merger	One legal entity combines with another and generally ceases to exist separately
Stock acquisition	Ownership of the operating company changes

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Company transactions: The basics
Types of transactions

- **Stock acquisition**
  - The buyer acquires ownership of an operating company
  - The acquired operating company generally remains a separate legal entity
  - The acquired operating company's study area may remain unchanged
- **Holding company acquisition**
  - The buyer acquires ownership at the parent company level
  - The operating companies may remain separate legal entities and their study areas may continue separately
  - The ownership chain changes even when company-level operations do not

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Company transactions: The basics
Types of transactions (cont.)

- **Asset acquisition**
  - The buyer acquires property or operations, not ownership of the seller
  - The selling legal entity may continue to exist
- **Merger**
  - One legal entity combines into another
  - One company generally survives; the other ceases to exist separately

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Company transactions: The basics
Important distinctions

- The transaction type does not, by itself, determine NECA's review process or the resulting regulatory and operational treatment
  - Variations exist within transaction types, such as full versus partial asset acquisitions
- The legal transaction identifies what occurs from a corporate perspective
- Regulatory and operational details influence study area impacts
- NECA clarifies the resulting treatment of:
  - Settlements and reporting
  - Tariffs, pools and support
  - Company records, identifiers, contacts and system access

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Company transactions: The basics
Important distinctions

- A full asset acquisition transfers operating assets; a merger combines legal entities

Full asset acquisition	Merger
All operating assets transfer to the buyer	One legal entity combines into another
Seller may remain a separate legal entity	Typically, one company survives while the other ceases to exist
Post-closing steps may be required to address the seller's status	The surviving entity assumes the merged company's assets and liabilities

- This is one example of a distinction with both legal and operational implications

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Company transactions: The basics

- **Legal questions**
  - Who owns the company?
  - Which entity survives?
  - Did stock or assets transfer?
  - What is the effective date?

These lists are illustrative and not exhaustive

- **Operational questions**
  - Will affected study areas remain separate, be consolidated or cease to exist as separate study areas?
  - Are exchanges moving?
  - Will key study-area attributes change, such as subset, settlement type, regulatory type or tax status?
  - Will universal service support mechanisms or calculations change?
  - Are company contacts changing?

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Regulatory approvals and support considerations

- Closing does not necessarily complete the regulatory work
- Federal and state approvals
  - Transaction or transfer-of-control approvals
  - Study area boundary changes or consolidation
  - Tariff and pool participation changes
  - Universal service support treatment
  - State commission approvals and required customer notifications
- Other approvals may apply depending on the transaction

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Regulatory approvals and support considerations

- A merger does not automatically consolidate study areas
- Study area boundaries have been frozen since Nov. 15, 1984
- A study area boundary change may require FCC approval
- The approved structure and date can affect USF, cost studies, settlements, tariffs and pools
- NECA's legal department does not approve study area boundary changes until required FCC action is complete and all required documentation has been received

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Regulatory approvals and support considerations

- **Key questions to resolve**
  - Could the transaction change a company's regulatory classification or treatment?
  - Which support mechanisms apply, and which companies or study areas are affected?
  - Will line counts or study areas change?
  - Are filings or certifications changing?
- **Why it matters**
  - Mixed-support transactions may require additional review
  - Tariff and pool eligibility may change
  - Current and projected data may change
  - Prior periods may require adjustment
  - Filings with the FCC or USAC may be required

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Inside NECA’s review process

- NECA’s customer database includes all rate-of-return carriers
- Company and study area records may require updates even when a carrier does not participate in NECA pools or tariffs
- Pooling company transactions require additional review to ensure settlements reflect the post-transaction treatment

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Inside NECA's review process

- High-level process
  - Review applicable regulatory documentation and send the appropriate checklist(s)
  - Review information received
  - Conduct follow-up as needed
  - Seek input from impacted NECA departments, as needed
  - Submit transmittal package to NECA's legal department for review and approval
  - After legal approval, complete required NECA system updates
  - Work with companies on contact changes, as needed

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Inside NECA's review process

- NECA must develop one complete and internally consistent picture before submitting a transaction package to NECA's legal department
- As documentation is provided, it may become apparent that additional checklists are required
  - For example, as part of a merger, an average schedule company may convert to cost company treatment
- Delays in processing may occur if:
  - Supporting documentation is incomplete
  - Checklists are incomplete
  - The organizational structure reflects an earlier transaction not communicated to NECA

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Inside NECA's review process

- Checklists 1–5
  - 1 Merger and/or study area consolidation
  - 2 Stock acquisition
  - 3 Assets into existing study area
  - 4 Existing company/unserved area
  - 5 New company/existing study area
- Checklists 6–8
  - 6 New company/new study area or whole-SA acquisition
  - 7 Change of company name
  - 8 Holding company transaction

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Inside NECA's review process

- Seller/merged company information
  - Study area code and name
  - Frozen category relationships and BDS
  - Tax status or category
  - Tariff No. 4 company code
  - Owner or holding company
  - TRS/Filer 499 ID and FRN
- Buyer/surviving company information
  - Study area code and name
  - Company merger versus study area consolidation
  - Effective date
  - Prior period responsibility
  - Combined or separate settlements
  - Banking, legal and regulatory documents

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Inside NECA's review process

- **Information requested**
  - Fully executed agreement*
  - Applicable regulatory approval or waiver
  - Responsibility for prior period reporting and adjustments
  - Study area code(s), FRN and Filer 499 ID
  - Banking, remittance and settlement statement instructions
- **What it helps determine**
  - Parties, assets, survivor and date
  - Authorized regulatory treatment
  - Who adjusts data and receives settlements and support
  - How entities appear in systems
  - How funds and statements are handled

* Financials may be redacted

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Inside NECA's review process

- **Initial review**
  - Review FCC Section 214 documents and waivers
  - Determine whether NECA customer database updates are required
  - Select and send applicable member checklist(s)
  - Review returned documentation for completeness
  - Identify missing or additional information
- **Internal coordination**
  - Member service team
  - Tariff No. 4 and company codes
  - Tariff Nos. 5 and 6
  - Rates
  - Federal support
  - Settlements
  - Finance
  - Legal

Information is shared on an as needed basis

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Inside NECA's review process

- **Participation and regulatory treatment**
  - Are tariff and pool participation different between entities?
  - Do the companies operate under different regulatory frameworks?
    - Are they eligible for different support mechanisms?
  - Will study area boundaries change?

- **Cost studies, rates and reporting**
  - Are there cost study impacts?
    - Frozen switching revenue requirement
    - Mixed support transaction expense caps or other limitations
  - Will CBOL, switching, special access rates or rate band assignments change?
  - Are revised settlement inputs required?
    - Average schedule to cost conversion

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Inside NECA's review process

- Questions to resolve
  - Will the buyer or seller be responsible for pre-effective date reporting, adjustments and settlement amounts?
    - Who will submit or correct prior period settlement data?
  - Will settlement statements be combined?
  - Which financial company code applies after the transaction?
- Possible effects
  - Settlements coordination
  - Different statement treatment
  - Separate banking or remittance
  - Study area ID change
  - RDA amendment

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Inside NECA's review process

- NECA generally seeks to reflect a transaction in its records and settlement treatment as of the effective date
- If tariff, regulatory approval or documentation issues remain unresolved, implementation may occur in a later settlement cycle
- After complete documentation and required approval, implementation occurs in the next settlement cycle
- Certain transactions may not be reflected during the 90-day annual tariff preparation period

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Inside NECA's review process

- **Define the transaction early**
  - Contact the member service manager before the effective date when possible
  - Explain both the legal transaction and expected study area result
  - Identify each affected company, study area and ownership relationship

- **Complete and coordinate**
  - Complete the applicable transaction checklist(s) and related forms
  - Provide final documents and effective date of transaction
  - Resolve settlement, support, tariff, pool, cost study and banking questions early
  - Review contacts and access before processing begins

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Inside NECA's review process
Post-processing activities

- A new revenue distribution agreement may be required for new study areas, new companies within a study area or settlement-type conversions
- An amendment may be required when:
  - New owners acquire study area or exchange assets
  - Average schedule to cost conversion
  - Legal entity name change
    - Includes changes from incorporated to LLC
  - NECA's legal department identifies another applicable situation
- Company contacts can be updated

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Company contacts and profiles

- **Why contacts matter**
  - Contacts represent authority and responsibility
  - Services control access
  - Required roles must remain assigned
  - Employer and company relationships must be accurate
- **Transaction considerations**
  - Inactivating an entity may require reassignment of contact roles and services
  - Some assignments require NECA action (e.g., tariff election contact, voter, issuing carrier contact)
  - Contacts and system access should be reconfirmed
  - Some changes may be temporarily restricted during transaction review

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Company contacts and profiles

- Required operational contacts*
  - General
  - Billing
  - Payable
  - Pool
  - Settlement certification
  - Tariff election
  - T4/T5 issuing carrier
  - Voter
- Additional contact types
  - Authorized consultant
  - Cost study consultant
  - Invoice contact
  - Company officer
  - Tariff and USF services

* Other less common types also exist

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Company contacts and profiles

- Individuals can update permitted profile information
- Authorized company contacts can manage eligible company contact information
- New contacts and user IDs require NECA processing
- Required roles and service assignments must be reassigned before contacts are inactivated
- Contact your member service team early to ensure authorized contacts remain available for settlement certifications, data collections and universal service filings

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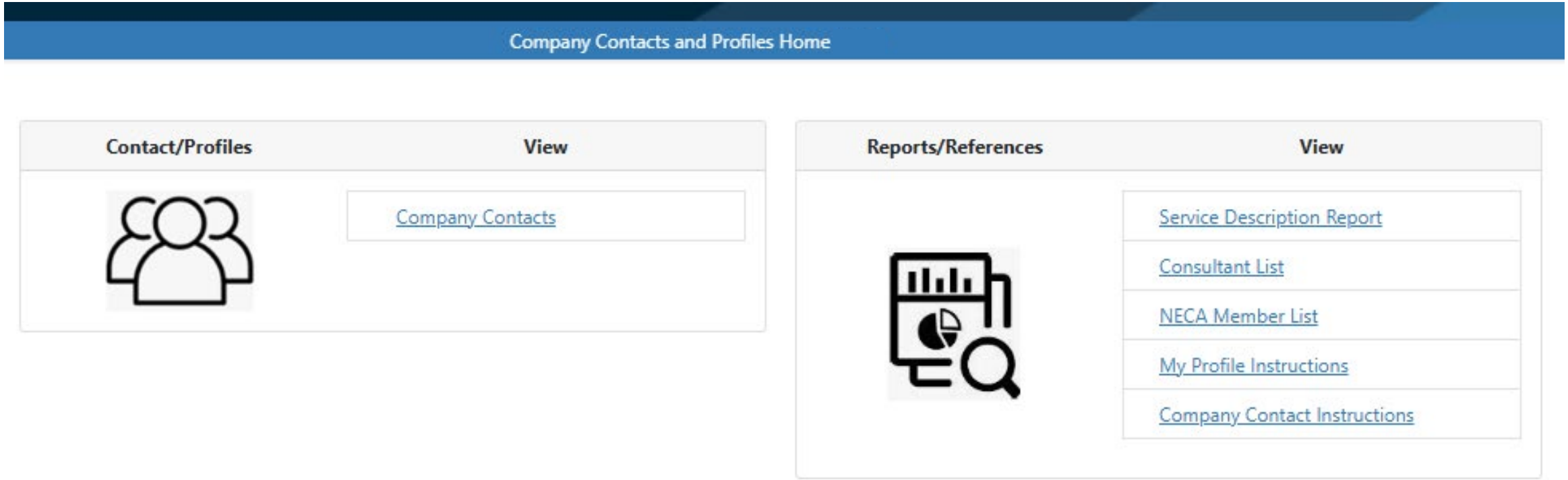
Company contacts and profiles

- Updated application for management of company contacts and profiles
  - Implemented Sept. 29, 2026
  - Upgraded technology
  - Consistent look and feel with NECA's newer applications
  - Enhanced behind-the-scenes edit checks
  - Improved user interface
  - Refer to member correspondence sent Sept. 18, 2026
  - Training webcast was presented Sept. 28, 2026; recording is available on neca.org (login required) at Education > Webcasts on Demand

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Company contacts and profiles

- Available on neca.org at My Applications > Company Contacts and Profiles



- Contact your member service team with questions

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Key takeaways

- A transaction's effects extend beyond its legal structure
- NECA must understand the complete legal, regulatory, financial and operational result
- Transaction-specific checklists support accuracy
- Prior periods, tariffs, pools, support, cost studies, records and access are interconnected
- Early engagement and complete, consistent information support timely processing
- Advanced planning of related changes to company contacts is advisable to help ensure time-sensitive certifications are submitted by authorized staff

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Acronyms

- A-CAM — Alternative Connect America Cost Model
- BDS — Business Data Services
- CAF BLS — Connect America Fund Broadband Loop Support
- CBOL — Consumer Broadband-Only Loop
- FCC — Federal Communications Commission
- FRN — FCC Registration Number
- HCLS — High-Cost Loop Support
- ILEC — Incumbent Local Exchange Carrier

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Acronyms

M&A	Mergers and Acquisitions
NECA	National Exchange Carrier Association
RDA	Revenue Distribution Agreement
RoR	Rate of Return
SA	Study Area
TRS	Telecommunications Relay Service
USAC	Universal Service Administrative Company
USF	Universal Service Fund

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