

# PRESS RELEASE

FOR INTEGRA TELECOM



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## INTEGRA TELECOM RESTRUCTURES DEBT

*Leading Business Telecom Provider Reduces Overall Debt by More than Half;  
New Shareholder Commitments Strengthen Balance Sheet*

**PORTLAND, Ore. – July 22, 2009 – [Integra Telecom Inc.](http://www.integratelecom.com)**, a facilities-based, integrated communications provider for business, reached an agreement with requisite majorities in its three primary lender groups to effect a full restructuring of the company's balance sheet. According to the agreement, all of Integra's senior secured second lien operating company debt and unsecured parent company debt will be converted into common equity. As a result, the company's overall debt will be reduced from almost \$1.3 billion to approximately \$600 million. This new debt level translates to 2.7 times Integra's 2008 operating EBITDA (earnings before interest, taxes, depreciation and amortization) of \$225 million. Additionally, Integra will welcome Goldman, Sachs & Co., Tennenbaum Capital Partners, and funds managed by Farallon Capital Management LLC as major new shareholders. These shareholders join Warburg Pincus alongside other Integra investors.

"This agreement strengthens our business by increasing our equity base while reducing our total debt burden by more than half, thereby better aligning our balance sheet with the needs of our business and enabling us to continue to focus on our customers," said Dudley Slater, CEO of Integra Telecom. "We are confident that this agreement will position Integra to be an even stronger, more profitable company moving forward."

The nation's economic downturn and increasing unemployment have resulted in recent operating trends where new installations are offset by higher economic churn, causing flat revenue trends. In response to current operating conditions, Integra initiated negotiations with its lenders earlier this year to better align the terms of its loans with today's economy and the company's business strategy. Integra is the largest competitive local exchange carrier based in the Western U.S., generates the highest levels of operating cash flow, and is recognized for its industry-leading, locally staffed customer service. This agreement focuses solely on the restructuring of the company's balance sheet, and the management team anticipates no impact on the company's workforce or ongoing operations.

"We have been investors in Integra, and the competitive telecommunications industry, for many years. Integra stands out as one of the top performing companies in this industry, and we are pleased to support this transaction which creates a stronger balance sheet better suited to the current economic environment," said Michael Leitner, Managing Partner, Tennenbaum Capital Partners. "Along with all the new shareholders, we share a conviction

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to grow and establish Integra Telecom as the premier competitive telecom provider in the Western U.S.”

“Despite the recession, Integra has remained an operating-free-cash-flow-positive company and this restructuring positions Integra as one of the highest operating-free-cash-flow producing companies in its industry and adds to their competitive advantage, leaving them with what will now be one of the lowest levels of debt among their peers,” said Carlyn Taylor, Senior Managing Director of FTI Capital Advisors, who advised the company in the restructuring process.

“Our strengthened balance sheet allows us to focus on our core business objectives: focusing on our customers, investing in our network and supporting innovative new products. This agreement ensures our continued ability to invest cash profits back into our network and services for the long-term benefit of our customers.” said Slater. “Integra closed the first half of 2009 recording two of the company’s best months in its history, as measured by our new account acquisitions, and we look forward to continuing that momentum in the months and years ahead.”

The restructuring transaction is conditional on state and federal regulatory approvals. The company will also be conducting a full vote solicitation of smaller holders of the company’s debt, who are expected to support the transaction. Integra anticipates the transaction to be completed by the end of the year.

### **About Integra Telecom**

[Integra Telecom Inc.](http://www.integratelecom.com) provides voice, data and Internet communications to thousands of business and carrier customers in 11 Western states, including: Arizona, California, Colorado, Idaho, Minnesota, Montana, Nevada, North Dakota, Oregon, Utah and Washington. The company owns and operates a best-in-class fiber-optic network comprised of metropolitan access networks, a nationally acclaimed tier one Internet and data network, and a 4,700-mile high-speed long haul network. The company has earned some of the highest customer loyalty and customer satisfaction ratings in the telecommunications industry. Integra Telecom and Electric Lightwave are registered trademarks of Integra Telecom Inc. For more information, visit [www.integratelecom.com](http://www.integratelecom.com).

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