

# Frontier Communications Corporation FTR – NYSE

Buy

Telecom Services

May 13, 2009

## Transformational Acquisition With Verizon at 4.5x EBITDA

Christopher C. King	(443) 224-1329	ccking@stifel.com
Josh James	(443) 224-1375	jamesj@stifel.com
Melanie R. Lambert, CFA	(443) 224-1362	lambertm@stifel.com

- Frontier announced a definitive agreement with Verizon to acquire Verizon wireline assets in 14 states for \$8.6 billion in a deal that is expected to close within 12 months.
- The \$8.6 billion price tag equates to approximately 4.5x 2008e EBITDA of roughly \$1.9 billion--or approximately \$1,792 per access line. The deal includes VZ wireline assets in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, as well as several exchanges in California.
- The transaction includes 4.8 million access lines, 2.2 million long-distance customers, 1.0 million high-speed data subscribers, which includes approximately 110,000 FiOS Internet customers and 69,000 FiOS TV customers.
- The proposed deal to be structured as a tax-free transaction for Verizon sharheolders, as VZ shareholders will wind up owning approximately two-thirds of the new company through the receipt of approximately \$5.3 billion in Frontier common stock. VZ will receive approximately \$3.3 billion in value through a combination of cash distributions, debt securities issued to VZ prior to the spin-off and the assumption of certain debt previously issued by Verizon's telco subsidiaries.
- VZ shareholders will receive approximately 4.2 shares of Frontier for every share of Verizon owned as of the record date.
- Frontier has also announced that it will be reducing its dividend after the close of the transaction to \$0.75 from its current \$1.00. Notably however, the deal would be delevering for Frontier--taking its leverage from approximately 3.7x today to 2.6x upon deal close.
- In addition, Frontier is guiding to annual synergies of approximately \$500 million, or roughly 21% of cash opex, in-line with other synergy guidance levels given in similar transactions. As such, the company expects the deal to be free cash flow accretive in year-two.
- While we would not be surprised to see a negative stock reaction to Frontier today, given the recent history of VZ divestitures (Fairpoint, Idearc, Hawaii Telecom, etc.), we note Frontier is currently trading at 6.5x our 2010 EBITDA forecast and buying an asset that essentially triples its size for 4.5x EBITDA, while delevering more than a full turn of EBITDA.

Changes	From (Previous)	To (Current)
Rating		Buy
Target Price		\$12.50
FY09E EPS (Net)		\$0.60
FY10E EPS (Net)		\$0.66
Stock Data		
Price (05/12/09)	):	\$7.57
52-Week Range	<b>e</b> :	\$13 – \$5
Market Cap.(\$m	nm):	\$2,345.2
Shr.O/S-Diluted	(mm):	309.8
Enterprise Val.	(\$mm):	\$6,765.0
Avg Daily Vol (3	Mo):	3,217,834
LT Debt/Total C	ар.:	67.4%
Net Cash/Share	<b>)</b> :	\$2.28
Dividend (\$):		\$1.00
Yield (%):		13.2%
Book Value/Sha	are:	\$2.88
S&P Index:		908.35
EDO (N. 4)	22224	

EPS (Net)	2008A	2009E	2010E
1Q	\$0.14A	\$0.12A	NE
2Q	0.17A	0.12	NE
3Q	0.15A	0.19	NE
4Q	0.11A	0.17	NE
FY Dec	\$0.57A	\$0.60	\$0.66
P/E	13.3x	12.6x	11.5x
Revenue (Net)	\$2.24B	\$2.14B	\$2.05B
EV/Revenue	3.0x	3.2x	3.3x



Frontier has scheduled to host an 8:30am conference call this morning, while Verizon plans to host a 12:30pm conference call today. We plan to have additional comments later in the day.

## Risks to Target Price

Risks to our target price include significant changes to the regulatory environment which could materially impact the company's revenues and cash flows, and macroeconomic pressures which could accelerate access line losses and impact data growth trends.

## **Company Description**

Frontier Communications Corporation (NYSE: FTR) is a full-service communications provider and one of the largest local exchange telephone companies in the country. Under the Frontier brand name, the company offers telephone, television and Internet services, as well as bundled offerings, ESPN360 streaming video, security solutions and specialized bundles for small businesses and home offices.

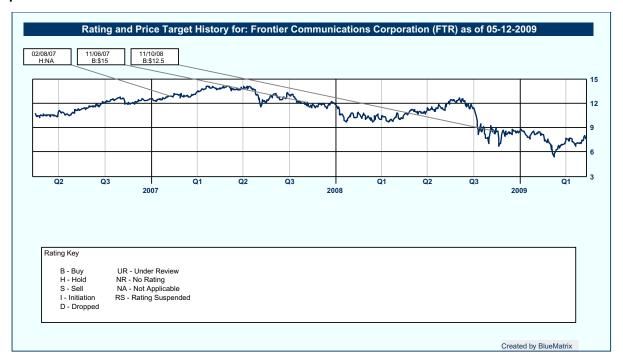
Frontier Communications
Earnings Model
Christopher King
Stifel, Nicolaus & Company, Incorporated
443-224-1329

units in thousands except per share amounts FRONTIER COMMUNICATIONS	2007A	1Q08A	2Q08A	3Q08A	4Q08A	2008A	1Q09A	2Q09E	3Q09E	4Q09E	2009E	2010E
ILEC REVENUES	2007 A	TGUSA	2Q06A	SQUOA	4Q00A	2008A	IGUSA	2009E	3009E	4Q03E	2009E	2010E
Local Network Services	889,879	217,158	214,703	210,749	205,783	848,393	200,896	199,177	195,517	191,857	787,448	729,029
Data and Internet Services	552,245	145,982	151,655	154,047	153,931	605,615	156,393	159,995	161,863	161,978	640,229	661,550
Access	456,862	107,818	101,003	99,555	96,337	404,713	90,065	88,161	86,541	83,348	348,114	304,058
Directory Services Other	114,586 93,917	28,628 23,166	29,070 19,207	28,126 18,999	27,523 21,019	113,347 82,391	27,705 21,485	27,754 21,224	27,244 20,834	26,734 20,444	109,438 83,986	101,837 77,875
Long-Distance	180,526	46,453	46,912	46,395	42,799	182,559	41,412	43,000	43,000	43,000	170,412	172,000
TOTAL ILEC REVENUES	2,288,015	569,205	562,550	557,871	547,392	2,237,018	537,956	539,311	534,999	527,361	2,139,627	2,046,349
ILEC EXPENSES		·	•					•				
Network Access Expense	225,838	60,549	53,998	52,478	54,988	222,013	60,684	53,000	52,000	53,000	218,684	218,000
D&A	545,856	141,080	144,250	137,656	138,815	561,801	137,558	138,000	100,000	100,000	475,558	400,000
Other Operating Expenses	813,186	200,364	202,333	203,496	201,655	807,848	200,204	204,251	202,124	202,770	809,350	766,797
ILEC OPERATING EXPENSES	1,584,880	401,993	400,581	393,630	395,458	1,591,662	398,446	395,251	354,124	355,770	1,503,592	1,384,797
ILEC EBITDA	1,248,991	308,292	306,219	301,897	290,749	1,207,157	277,068	282,060	280,874	271,591	1,111,593	1,061,552
ILEC OPERATING INCOME	703,135	167,212	161,969	164,241	151,934	645,356	139,510	144,060	180,874	171,591	636,035	661,552
TOTAL REVENUES	2,288,015	569,205	562,550	557,871	547,392	2,237,018	537,956	539,311	534,999	527,361	2,139,627	2,046,349
TOTAL EXPENSES	1,584,880	401,993	400,581	393,630	395,458	1,591,662	398,446	395,251	354,124	355,770	1,503,592	1,384,797
OPERATING INCOME	703,135	167,212	161,969	164,241	151,934	645,356	139,510	144,060	180,874	171,591	636,035	661,552
Investment Income	17,948	(1,235)	6,393	1,302	2,874	9,334	7,595	5,000	2,000	2,000	16,595	16,595
Minority Interest/One-time Gain	0	0	0	0	0	0	0	0	0	0	0	0
Interest Expense	380,696	90,860	90,710	90,333	90,731	362,634	88,749	87,188	87,188	87,188	350,312	348,750
Earnings before Taxes	340,387	75,117	77,652	75,210	64,077	292,056	58,356	61,872	95,687	86,404	302,319	329,397
Income Taxes	127,881	26,628	21,874	28,215	29,779	106,496	22,053	23,511	36,361	32,833	114,759	124,988
Income before Dividends	212,506	48,489	55,778	46,995	34,298	185,560	36,303	38,361	59,326	53,570	187,560	204,409
NET INCOME	212,506	48,489	55,778	46,995	34,298	185,560	36,303	38,361	59,326	53,570	187,560	204,409
DILUTED EPS	0.64	0.15	0.17	0.15	0.11	0.58	0.12	0.12	0.19	0.17	0.61	0.66
# of dilected also as a										000.00	309.8	309.8
# of diluted shares	327.0	326.17	320.84	313.00	309.63	309.6	309.83	309.83	309.83	309.83	309.0	309.0
Discontinued Ops Net Income	0	0	0	0	0	0	0	0	0	0	0	0
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops.	0 0.64	0 <b>0.14</b>	0 <b>0.17</b>	0 <b>0.15</b>	0 <b>0.11</b>	0 0.57	0 <b>0.12</b>	0 <b>0.12</b>	0 <b>0.19</b>	0 <b>0.17</b>	0 0.60	0.66
Discontinued Ops Net Income	0	0	0	0	0	0	0	0	0	0	0	0
Discontinued Ops Net Income  DILUTED EPSinc. disc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS	0 0.64 1,248,991	0 0.14 308,292	0 <b>0.17</b> 306,219	0 0.15 301,897	0 0.11 290,749	0 0.57 1,207,157	0 0.12 277,068	0 0.12 282,060	0 0.19 280,874	0 0.17 271,591	0 0.60 1,111,593	0 0.66 1,061,552
Discontinued Ops Net Income DILUTED EPS-inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS Operating Margin	0 0.64 1,248,991 30.7%	0 0.14 308,292 29.4%	0 0.17 306,219 28.8%	0 0.15 301,897 29.4%	0 0.11 290,749 27.8%	0 0.57 1,207,157 28.7%	0 0.12 277,068 25.9%	0 0.12 282,060 26.7%	0 0.19 280,874 33.8%	0 0.17 271,591 32.5%	0 0.60 1,111,593 29.7%	0 0.66 1,061,552 32.3%
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops. TOTAL REPORTED EBITDA MARGIN ANALYSIS Operating Margin ILEC EBITDA Margin	0 0.64 1,248,991 30.7% 54.6%	0 0.14 308,292 29.4% 54.2%	0 0.17 306,219 28.8% 54.4%	0 0.15 301,897 29.4% 54.1%	0 0.11 290,749 27.8% 53.1%	0 0.57 1,207,157 28.7% 53.8%	0 0.12 277,068 25.9% 51.5%	0 0.12 282,060 26.7% 52.3%	0 0.19 280,874 33.8% 52.5%	0 0.17 271,591 32.5% 51.5%	0 0.60 1,111,593 29.7% 52.0%	0 0.66 1,061,552 32.3% 51.9%
Discontinued Ops Net Income  DILUTED EPSinc. disc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash)	0 0.64 1,248,991 30.7% 54.6% 54.6%	0 0.14 308,292 29.4% 54.2% 54.2%	0 0.17 306,219 28.8% 54.4% 54.4%	0 0.15 301,897 29.4% 54.1% 54.1%	0 0.11 290,749 27.8% 53.1% 53.1%	0 0.57 1,207,157 28.7% 53.8% 54.0%	0 0.12 277,068 25.9% 51.5% 53.5%	0 0.12 282,060 26.7% 52.3% 54.3%	0 0.19 280,874 33.8% 52.5% 54.6%	0 0.17 271,591 32.5% 51.5% 53.6%	0 0.60 1,111,593 29.7% 52.0% 54.0%	0 0.66 1,061,552 32.3% 51.9% 54.0%
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops. TOTAL REPORTED EBITDA MARGIN ANALYSIS Operating Margin ILEC EBITDA Margin	0 0.64 1,248,991 30.7% 54.6%	0 0.14 308,292 29.4% 54.2%	0 0.17 306,219 28.8% 54.4%	0 0.15 301,897 29.4% 54.1%	0 0.11 290,749 27.8% 53.1%	0 0.57 1,207,157 28.7% 53.8%	0 0.12 277,068 25.9% 51.5%	0 0.12 282,060 26.7% 52.3%	0 0.19 280,874 33.8% 52.5%	0 0.17 271,591 32.5% 51.5%	0 0.60 1,111,593 29.7% 52.0%	0 0.66 1,061,552 32.3% 51.9%
Discontinued Ops Net Income DILUTED EPS-inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) Tax Rate	0 0.64 1,248,991 30.7% 54.6% 54.6% 15.6%	0 0.14 308,292 29.4% 54.2% 54.2% 35.4%	0 0.17 306,219 28.8% 54.4% 54.4% 28.2%	0 0.15 301,897 29.4% 54.1% 54.1% 37.5%	0 0.11 290,749 27.8% 53.1% 53.1% 46.5%	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0%	0 0.12 277,068 25.9% 51.5% 53.5% 37.8%	0 0.12 282,060 26.7% 52.3% 54.3% 38.0%	0 0.19 280,874 33.8% 52.5% 54.6% 38.0%	0 0.17 271,591 32.5% 51.5% 53.6% 38.0%	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0%	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0%
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS Total Revenue	0 0.64 1,248,991 30.7% 54.6% 54.6% 15.6% \$3.05	0 0.14 308,292 29.4% 54.2% 54.2% 35.4% \$2.88	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68	0 0.12 277,068 25.9% 51.5% 53.5% \$1.59	0 0.12 282,060 26.7% 52.3% 54.3% 51.72	0 0.19 280,874 33.8% 52.5% 54.6% 38.0% \$1.91	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08	0 0,60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS Total Revenue ILEC Revenues	0 0.64 1,248,991 30.7% 54.6% 54.6% 15.6% \$3.05	0 0.14 308,292 29.4% 54.2% 54.2% 35.4% \$2.88	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.2%	0 0.57 1,207,157 28.7% 53.8% 54.0% \$1.68	0 0.12 277,068 25.9% 51.5% 53.5% 37.8% \$1.59	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 -4.1% -4.1%	0 0.19 280,874 33.8% 52.5% 54.6% 38.0% \$1.91	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08	0 0.60 1,111,593 29.7% 52.0% 54.0% \$2.08	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash)  Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income	0 0.64 1,248,991 30.7% 54.6% 54.6% 15.6% \$3.05 13.0% 9.1%	0 0.14 308,292 29.4% 54.2% 54.2% 35.4% \$2.88 2.3% 2.3% -13.5%	0 0.17 306,219 28.8% 54.4% 28.2% \$2.59 -2.8% -5.4%	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30 -3.1% -7.7%	0 0.11 290,749 27.8% 53.1% 46.5% \$1.68 -5.2% -5.2% -5.3%	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68	0 0.12 277.068 25.9% 51.5% 33.5% \$1.59 -5.5% -5.5% -16.6%	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72	0 0.19 280,874 33.8% 52.5% 54.6% 38.0% \$1.91 -4.1% -4.1%	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -4.4% -1.4%	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% -4.4% 4.0%
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income Net Income	0 0.64 1,248,991 30.7% 54.6% 54.6% 15.6% \$3.05	0 0.14 308,292 29.4% 54.2% 54.2% 35.4% \$2.88	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.2%	0 0.57 1,207,157 28.7% 53.8% 54.0% \$1.68	0 0.12 277,068 25.9% 51.5% 53.5% 37.8% \$1.59	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 -4.1% -4.1%	0 0.19 280,874 33.8% 52.5% 54.6% 38.0% \$1.91	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08	0 0.60 1,111,593 29.7% 52.0% 54.0% \$2.08	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74
Discontinued Ops Net Income  DILUTED EPSinc. dlsc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash)  Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down)	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 13.0% 9.1% -4.2%	0 0.14 308,292 29.4% 54.2% 54.2% 35.4% \$2.88 2.3% 2.3% -28.3%	0 0.17 306.219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -2.8% -5.4% 37.5%	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30 -3.1% -3.1% -14.2%	0 0.11 290,749 27.8% 53.1% 46.5% \$1.68 -5.2% -5.3% -30.7%	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68 -2.2% -2.2% -12.7%	0 0.12 277.068 25.9% 51.5% 53.5% 37.8% \$1.59 -5.5% -5.5% -16.6% -25.1%	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 -4.1% -4.1% -31.2%	0 0.19 280,874 33.8% 52.5% 54.6% 38.0% \$1.91 -4.1% -4.1% 26.2%	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08 -3.7% -3.7% 12.9% 56.2%	0 0.60 1,111,593 29.7% 52.0% 54.0% 33.0% \$2.08 -4.4% -4.4% 1.1%	0 0.66 1,061,552 32.3% 51.9% 54.0% \$2.74 -4.4% -4.4% 4.0% 9.0%
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down) Cash EBITDA	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2%	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% \$2.88 2.3% 2.3% -13.5% -28.3% 308,292	0 0.17 306,219 28.8% 54.4% 54.4% \$28.2% \$2.59 -2.8% -5.4% 37.5% 306,219	0 0.15 301.897 29.4% 54.1% 54.1% 54.1% \$2.30 -3.1% -7.7% -14.2%	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.3% -30.7% 290,749	0 0.57 1,207,157 28.7% 53.8% 54.0% \$1.68 -2.2% -8.2% -12.7%	0 0.12 277,068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287,870	0 0.12 282,060 26.7% 52.3% 54.3% \$1.72 -4.1% -11.1% -31.2% 293,060	0 0.19 280,874 33.8% 52.5% 54.6% \$1.91 -4.1% 10.1% 26.2%	0 0.17 271,591 32.5% 51.5% 53.6% \$3.0% \$2.08 -3.7% 12.9% 56.2%	0 0.60 1,111,593 29.7% 52.0% \$4.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% 4.0% 9.0%
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash)  Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income Net Income  CASH FLOW (Top-Down)  Cash EBITDA Interest Expense	0 0.64 1,248,991 30.7% 54.6% 54.6% 15.6% \$3.05 13.0% 9.1% -4.2%	0 0.14 308,292 29.4% 54.2% 54.2% \$2.88 2.3% 2.3% 2.3% 28.3% 308,292 90,860	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -5.4% 37.5%	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30 -3.1% -3.1% -14.2% 301,897 90,333	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.2% -5.3% -30.7% 290,749 90,731	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68 -2.2% -2.2% -12.7%	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 -5.5% -5.5% -25.1% 287,870 88,749	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 4.1% -4.1% -31.2% 293,060 87,188	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 26.2%	0 0.17 271.591 32.5% 51.5% 53.6% 38.0% \$2.08 -3.7% -3.7% 56.2%	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1%	0 0.66 1,061,552 32.3% 51.9% 54.0% \$2.74 -4.4% -4.4% 4.0% 9.0% 1,105,552 348,750
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down) Cash EBITDA	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2%	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% \$2.88 2.3% 2.3% -13.5% -28.3% 308,292	0 0.17 306,219 28.8% 54.4% 54.4% \$28.2% \$2.59 -2.8% -5.4% 37.5% 306,219	0 0.15 301.897 29.4% 54.1% 54.1% 54.1% \$2.30 -3.1% -7.7% -14.2%	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.3% -30.7% 290,749	0 0.57 1,207,157 28.7% 53.8% 54.0% \$1.68 -2.2% -8.2% -12.7%	0 0.12 277,068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287,870	0 0.12 282,060 26.7% 52.3% 54.3% \$1.72 -4.1% -11.1% -31.2% 293,060	0 0.19 280,874 33.8% 52.5% 54.6% \$1.91 -4.1% 10.1% 26.2%	0 0.17 271,591 32.5% 51.5% 53.6% \$3.0% \$2.08 -3.7% 12.9% 56.2%	0 0.60 1,111,593 29.7% 52.0% \$4.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% 4.0% 9.0%
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income Net Income  CASH FLOW (Top-Down) Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups	0 0.64 1,248,991 30.7% 54.6% 54.6% 15.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 -9,399	0 0.14 308,292 29.4% 54.2% 54.2% 35.4% \$2.88 2.3% 2.3% 28.3% 20.860 47,986 1,859 452	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30 -3.1% -3.1% -7.7% -14.2% 301,897 90,333 80,476 20,589 4,194	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1,830	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68 -2.2% -8.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 -5.5% -5.5% -25.1% 287,870 88,749 54,572 1,255 -2,854	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 4.1% -4.1% -31.2% 293,060 87,188 55,000 55,000 5-5,000	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 26.2%  291,874 87,188 70,000 22,000 -5,000	0 0.17 271.591 32.5% 51.5% 53.6% 38.0% \$2.08 -3.7% 56.2% 282,591 87,188 80,000 20,000 -5,000	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854	0 0.66 1,061,552 32.3% 51.9% 54.0% \$2.74 -4.4% -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500
Discontinued Ops Net Income DILUTED EPSinc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down) Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Free Cash Flow	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 -9.399 523,809	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% \$2.88 2.3% 2.3% 2.3% 2.3% 28.3% 29.860 47.986 1,859 452 168,039	0 0.17 306,219 28.8% 54.4% 54.4% 54.4% 52.59 -2.8% -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615	0 0.15 301,897 29.4% 54.1% 54.1% 54.1% -3.1% -7.7% -14.2% 301,897 90,333 80,476 20,589 -4,194 114,693	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -30.7% 290,749 90,731 84,065 8,704 -1,830 109,079	0 0.57 1,207,157 28.7% 53.8% 54.0% \$1.68 -2.2% -8.2% -12.7% 1,207,157 362,634 83,026 -15,193 488,426	0 0.12 277,068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287,870 88,749 54,572 1,255 -2,854 146,148	0 0.12 282,060 26.7% 52.3% 54.3% \$1.72 -4.1% -11.1% -31.2% 293,060 87,188 55,000 55,000 100,872	0 0.19 280.874 33.8% 52.5% 54.6% \$1.91 -4.1% 10.1% 26.2% 291.874 87,188 70.000 22,000 -5,000 117,687	0 0.17 271,591 32.5% 51.5% 53.6% \$2.08 38.0% \$2.08 -3.7% 12.9% 56.2% 282,591 87,188 80,000 20,000 -5,000	0 0.60 1,111,593 29.7% 52.0% 54.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 433,802
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash) TAX Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down)  Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Free Cash Flow Dividend Payments	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 9.399 523,809	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% 13.5% -28.3% 308,292 90,860 47,986 1,859 452 168,039 82,103	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221	0 0.15 301.897 29.4% 54.1% 54.1% 54.1% 37.5% \$2.30 31.897 90.333 80.476 20.589 4.194 114.693 78.278	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1,830 109,079 77,835	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68 -2.2% -8.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193 488,426 318,437	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287.870 88,749 54,572 1,255 -2,854 146,148 78,085	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 -4.1% -11.1% -31.2% 293,060 87,188 55,000 55,000 -5,000 100,872 77,457	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 10.1% 26.2%  291,874 87,188 70,000 -5,000 117,687 77,457	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08 -3.7% 12.9% 56.2% 282,591 87,188 80,000 20,000 -5,000 100,404 77,457	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 433,802 309,826
Discontinued Ops Net Income DILUTED EPS—inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income Net Income  CASH FLOW (Top-Down) Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Free Cash Flow Dividend Payments Free Cash Flow	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 9.399 523,809 191,611	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% 2.3% 13.5% -28.3% 308,292 90,860 47,986 47,986 1,859 452 168,039 82,103 85,936	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221 16,394	0 0.15 301.897 29.4% 54.1% 54.1% 54.1% 37.5% \$2.30  -3.1% -7.7% -14.2%  301.897 90.333 80.476 20.559 -4.194 114,693 78.278 36,415	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1,830 109,079 77,835 31,244	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68 -2.2% -8.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193 488,426 318,437 169,989	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287.870 88,749 54,572 1,255 -2.854 146,148 78,085 68,063	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 -4.1% -11.1% -31.2% 293,060 87,188 55,000 55,000 -5,000 100,872 23,416	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 10.1% 26.2%  291,874 87,188 70,000 -5,000 -177,687 77,457 40,230	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08 -3.7% 12.9% 56.2% 282,591 87,188 80,000 20,000 -5,000 100,404 77,457 22,947	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455	0 0.66 1,061,552 32.3% 51.9% 54.0% \$2.74 -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 433,802 309,826 123,976
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income Net Income  CASH FLOW (Top-Down) Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Free Cash Flow Dividend Payments Free Cash Flow Dividend Payout Ratio (Div/FCF)	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 9.399 523,809	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% 13.5% -28.3% 308,292 90,860 47,986 1,859 452 168,039 82,103	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221	0 0.15 301.897 29.4% 54.1% 54.1% 54.1% 37.5% \$2.30 31.897 90.333 80.476 20.589 4.194 114.693 78.278	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1,830 109,079 77,835	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68 -2.2% 8.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193 488,426 318,437	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287.870 88,749 54,572 1,255 -2,854 146,148 78,085	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 -4.1% -11.1% -31.2% 293,060 87,188 55,000 55,000 -5,000 100,872 77,457	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 10.1% 26.2%  291,874 87,188 70,000 -5,000 117,687 77,457	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08 -3.7% 12.9% 56.2% 282,591 87,188 80,000 20,000 -5,000 100,404 77,457	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 433,802 309,826
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) TAX Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income Net Income  CASH FLOW (Top-Down)  Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Free Cash Flow Dividend Payments Free Cash Flow  Dividend Payout Ratio (Div/FCF)  BALANCE SHEET	0 0.64 1,248,991 30.7% 54.6% 15.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 -9,399 523,809 191,611 63.4%	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% 13.5% 28.3% 13.5% 28.3% 48.992 90.860 47.986 1,859 452 168,039 82,103 85,936 48.9%	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221 16,394	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30 -3.1% -3.1% -14.2% 301,897 90,333 80,476 20,589 -4,194 114,693 78,278 36,415 68.3%	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1,830 109,079 77,835 31,244 71.4%	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% \$1.68 -2.2% -8.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193 488,426 318,437 169,989	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287,870 88,749 54,572 1,255 -2,854 146,148 78,085 68,063 53.4%	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 4.1% -11.1% -31.2% 293,060 87,188 55,000 -5,000 100,872 77,457 23,416 76.8%	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 26.2%  291,874 87,188 70,000 22,000 -5,000 117,687 77,457 40,230 65.8%	0 0.17 271,591 32.5% 51.5% 53.6% 38.0% \$2.08 -3.7% 56.2% 282,591 87,188 80,000 20,000 20,000 45,000 100,404 77,457 22,947	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455 154,656 66.7%	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 433,802 123,976 71.4%
Discontinued Ops Net Income  DILUTED EPSinc. disc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down)  Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Free Cash Flow Dividend Payments Free Cash Flow  Dividend Payout Ratio (Div/FCF)  BALANCE SHEET	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 -9.399 332,199 191,611 63.4%	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% 13.5% 28.3% 13.5% 28.3% 29.860 47,986 1,859 452 168,039 82,103 85,936 48.9%	0 0.17 306,219 28.8% 54.4% 54.4% 54.4% 28.2% \$2.59 -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221 16,394 83.0% 4,750,440	0 0.15 301,897  29.4% 54.1% 54.1% 54.1% 37.5% \$2.30  -3.1% -7.7% -14.2%  301,897 90,333 80,476 20,589 -4,194 114,693 78,278 36,415 68.3%	0 0.11 290,749 27.8% 53.1% 53.1% 53.1% 54.68 55.2% 55.2% 55.2% 50,749 90,731 84,065 8,704 1,830 109,079 77.835 31,244 71.4%	0 0.57 1,207,157 28.7% 53.8% 54.0% \$1.68 -2.2% -8.2% -12.7% 1,207,157 362,634 88,264 83,026 -15,193 488,426 318,437 169,989 65.2%	0 0.12 277,068 25.9% 51.5% 53.5% \$1.59 -5.5% -16.6% -25.1% 287,870 88,749 54,572 1,255 -2,854 146,148 78,085 68,063 53.4%	0 0.12 282,060 26.7% 52.3% 54.3% \$1.72 -4.1% -4.1% -31.2% 293,060 87,188 55,000 55,000 -5,000 -7,000 77,457 23,416 76.8%	0 0.19 280,874 33.8% 52.5% 54.6% 38.0% \$1.91 -4.1% -4.1% 10.1% 26.2% 291,874 87,188 70,000 22,000 -5,000 -17,687 77,457 40,230 65.8%	0 0.17 271,591 32.5% 51.5% 53.6% \$2.08 38.0% \$2.08 -3.7% 12.9% 56.2% 282,591 87,188 80,000 20,000 -5,000 100,404 77,457 22,947 77.1%	0 0.60 1,111,593 29.7% 52.0% 54.0% \$3.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455 154,656 66.7%	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 33,802 309,826 123,976
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) TAX Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating income Net Income  CASH FLOW (Top-Down) Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Payments Free Cash Flow Dividend Payments Free Cash Flow Dividend Payout Ratio (Div/FCF)  BALANCE SHEET	0 0.64 1,248,991 30.7% 54.6% 15.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 -9,399 523,809 332,199 191,611 63.4% 4,739,345 26,466 4,512,879	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% 13.5% 28.3% 13.5% 28.3% 48.992 90.860 47.986 1,859 452 168,039 82,103 85,936 48.9%	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221 16,394	0 0.15 301,897 29.4% 54.1% 54.1% 37.5% \$2.30 -3.1% -3.1% -14.2% 301,897 90,333 80,476 20,589 -4,194 114,693 78,278 36,415 68.3%	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1,830 109,079 77,835 31,244 71.4%	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% 1.68 2.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193 488,426 318,437 169,989 65.2%	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 \$1.59 \$1.59 \$1.59 \$1.6.6% \$25.1% 287.870 88,749 54,572 1,255 \$2,854 146,148 78,085 56.063 53.4% 4,724.585 177,431 4,547,154	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 4.1% -11.1% -31.2% 293,060 87,188 55,000 -5,000 100,872 77,457 23,416 76.8%	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 26.2%  291,874 87,188 70,000 22,000 -5,000 117,687 77,457 40,230 65.8%	0 0.17 271.591  32.5% 51.5% 53.6% 38.0% \$2.08  -3.7% 63.7% 56.2%  282,591 87,188 80,000 20,000 -5,000 100,404 77,457 72,947 77,1%	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455 154,656 66.7%	0 0.66 1,061,552 32.3% 51.9% 54.0% \$2.74 -4.4% -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 433,802 309,826 123,976 71.4%
Discontinued Ops Net Income  DILUTED EPSinc. disc. Ops.  TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) Tax Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down)  Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Free Cash Flow Dividend Payments Free Cash Flow Dividend Payout Ratio (Div/FCF)  BALANCE SHEET  Total Debt Cash and Marketable Securities Net Debt Equity	0 0.64 1,248,991 30.7% 54.6% 54.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 -9,399 332,199 191,611 63.4% 4,739,345 226,466 4,512,879 997,899	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% -13.5% -28.3% -3.5%	0 0.17 306,219 28.8% 54.4% 54.4% 54.4% 54.4% \$28.2% \$2.59 -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221 16,394 83.0% 4,750,440 178,874 4,571,566 830,249	0 0.15 301.897 29.4% 54.1% 54.1% 54.1% 37.5% \$2.30 -3.1% -7.7% -14.2% 301.897 90.333 80.476 20.589 -4.194 114.693 78.278 36.415 68.3% 4,749.003 91.086 4,657,917 719.648	0 0.11 290,749 27.8% 53.1% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1.830 109,079 77,835 31,244 71.4% 4,725,542 163,627 4,561,915 519,045	0 0.57 1,207,157 28.7% 53.8% 54.0% \$1.68 -2.2% -2.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193 488,426 318,437 169,989 65.2% 4,725,542 163,627 4,561,915 519,045	0 0.12 277,068 25.9% 51.5% 53.5% \$1.59 53.5% -5.5% -16.6% -25.1% 287,870 88,749 54,572 1,255 -2,854 146,148 78,085 68,063 53.4% 4,724,585 177,431 4,547,154 493,185	0 0.12 282,060 26.7% 52.3% 54.3% 54.3% \$1.72 -4.1% -4.1% -31.2% 293,060 87,188 55,000 -5,000 -7,457 23,416 76.8% 4,701,169 177,431 4,523,738 531,546	0 0.19 280,874 33.8% 52.5% 54.6% 54.6% \$1.91 -4.1% 10.1% 26.2% 291,874 87,188 70,000 -5,000 -17,687 77,457 40,230 65.8% 4,660,939 177,431 4,483,508 590,872	0 0.17 271,591 32.5% 51.5% 53.6% \$3.0% \$2.08 38.0% \$2.08 37.7% 12.9% 56.2% 282,591 87,188 80,000 20,000 -5,000 100,404 77,457 22,947 77.1%	0 0.60 1,111,593 29.7% 52.0% 54.0% \$3.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455 154,656 66.7% 4,637,992 177,431 4,460,561 644,442	0 0.66 1,061,552 32.3% 51.9% 54.0% 38.0% \$2.74 -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 309,826 123,976 71.4% 4,514,015 177,431 4,336,584 848,851
Discontinued Ops Net Income  DILUTED EPS—inc. disc. Ops. TOTAL REPORTED EBITDA  MARGIN ANALYSIS  Operating Margin ILEC EBITDA Margin (Cash) TAX Rate Book Value  GROWTH ANALYSIS  Total Revenue ILEC Revenues Operating Income Net Income  CASH FLOW (Top-Down) Cash EBITDA Interest Expense Capex Taxes Non-Cash Adjustments/True-Ups Pre-dividend Payments Free Cash Flow Dividend Payments Free Cash Flow Dividend Payout Ratio (Div/FCF)  BALANCE SHEET Total Debt Cash and Marketable Securities Net Debt	0 0.64 1,248,991 30.7% 54.6% 15.6% \$3.05 13.0% 9.1% -4.2% 1,248,991 364,381 315,793 54,407 -9,399 523,809 332,199 191,611 63.4% 4,739,345 26,466 4,512,879	0 0.14 308,292 29.4% 54.2% 54.2% 54.2% 35.4% \$2.88 2.3% 2.3% 2.3% 28.3% 28.3% 28.3% 29.860 47,986 1,859 82,103 85,936 45.26 45.27 45.27 45.27 45.27 45.27 45.27 45.27 45.27 45.27 45.27 45.27 45.27 44.523,445	0 0.17 306,219 28.8% 54.4% 54.4% 28.2% \$2.59 -2.8% -2.8% -5.4% 37.5% 306,219 90,710 75,737 51,874 -8,717 96,615 80,221 16,394 83.0%	0 0.15 301,897 29.4% 54.1% 54.1% 54.1% 37.5% \$2.30  -3.1% -3.1% -7.7% -14.2%  301,897 90,333 80,476 20,589 4,194 114,693 78,278 36,415 68.3%  4,749,003 91,086 4,657,917	0 0.11 290,749 27.8% 53.1% 53.1% 46.5% \$1.68 -5.2% -5.2% -5.3% -30.7% 290,749 90,731 84,065 8,704 -1,830 109,079 77,835 31,244 71.4% 4,725,542 163,627 4,561,915	0 0.57 1,207,157 28.7% 53.8% 54.0% 38.0% 1.68 2.2% -12.7% 1,207,157 362,634 288,264 83,026 -15,193 488,426 318,437 169,989 65.2%	0 0.12 277.068 25.9% 51.5% 53.5% \$1.59 \$1.59 \$1.59 \$1.59 \$1.6.6% \$25.1% 287.870 88,749 54,572 1,255 \$2,854 146,148 78,085 56.063 53.4% 4,724.585 177,431 4,547,154	0 0.12 282,060 26.7% 52.3% 54.3% 38.0% \$1.72 4.1% -4.1% -31.2% 293,060 87,188 55,000 55,000 100,872 77,457 23,416 76.8% 4,701,169 177,431 4,523,738	0 0.19 280,874  33.8% 52.5% 54.6% 38.0% \$1.91  -4.1% -4.1% 26.2%  291,874 87,188 70,000 22,000 -5,000 117,687 77,457 40,230 65.8%	0 0.17 271.591  32.5% 51.5% 53.6% 38.0% \$2.08  -3.7% 63.7% 56.2%  282,591 87,188 80,000 20,000 -5,000 100,404 77,457 72,947 77,1%	0 0.60 1,111,593 29.7% 52.0% 54.0% 38.0% \$2.08 -4.4% -1.4% 1.1% 1,155,395 350,312 259,572 98,255 -17,854 465,111 310,455 154,656 66.7% 4,637,992 4,637,992 177,431 4,460,561	0 0.66 1,061,552 32.3% 51.9% 54.0% \$2.74 -4.4% -4.4% 4.0% 9.0% 1,105,552 348,750 250,000 98,500 -25,500 433,802 309,826 123,976 71.4%

Source: Company data and Stifel Nicolaus estimates

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