

## Telecom Monthly

### High Grade & High Yield

- **Telecom Investment Grade names continue to outperform the overall index.** Year to date, the high grade Telecom sector has continued to outpace the overall J.P. Morgan US Liquid Index (JULI), contracting 43bp while the overall market widened 22bp on an I-spread basis.
- **Telecom High Yield: Wireline and Wireless outperforming overall Index.** The Wireline Telecom Index maintains its momentum through first quarter of 2009, generating a total year-to-date return of 8.32%, outperforming the overall J.P Morgan Domestic High Yield Index, which generated a return of 3.03%. The Wireless Index has also gained ground on the overall Index, generating a YTD return of 6.99%.
- **FairPoint (credit not rated by JPM) wants to postpone debt payment.** According to the *Boston Globe*, FairPoint has asked the Public Utilities Commissions of Maine, Vermont and New Hampshire for approval to grant the company a one-time postponement of its \$11.25 million debt reduction payment due at the end of March. (As part of the agreement between FRP and the PUCs of the aforementioned states in respect to FRP's acquisition of Verizon's Northern New England business, FairPoint is required to reduce its debt balances by \$11.25 million by the end of March.) This news is not too surprising given the company's deteriorating liquidity position, which consists of \$100 million of unrestricted cash and less than \$5 million of availability under the company's revolving credit facility as of 28-Feb-09. Taking into account the \$11.25 million debt payment plus an additional \$36 million debt interest payment (per Moody's) due in April, FairPoint's liquidity would be reduced to approximately \$57 million. In order to preserve liquidity, FairPoint has recently suspended its dividend payment, which results in approximately \$93 million of annualized cost savings and helps offset higher planned capex spending and extra post-cutover costs as FRP is now officially operating as a stand-alone company and no longer relying on Verizon's systems.
- **British Telecom under pension pressure.** British Telecom has been under heavy pressure lately due largely in part to its underfunded pension liability, which, according to J.P. Morgan's European equity group, is estimated to be £6.5-10 billion. Depending on the actual amount (which will be revealed in May when BT files its FY 2009 financial statements), BT would have to pay approx £600 million per year to fund this liability. Bottom Line: A liability of this nature will significantly strain BT's FCF and while wage freezes and additional cost reductions (that will likely be announced after BT completes review of its global services business) will help conserve cash, we believe the company will have to take further measures, including cutting its dividend, in order to stay above the red.

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#### Telecommunications

##### Thomas Egan, CFA<sup>AC</sup>

(1-212) 270-2149  
thomas.j.egan@jpmorgan.com

##### Igor Sherman

(1-212) 270-1564  
igor.a.sherman@jpmchase.com

J.P. Morgan Securities Inc.

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See page 17 for analyst certification and important disclosures.

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- **Verizon receives sufficient tenders for Alltel Toggle bonds.** Verizon has announced that it has received sufficient tenders from holders of the \$190 million of Alltel's 10.375% Senior Toggle Notes due 2017 to remove "certain reporting requirements" (including filing of financial statements) that were stipulated within the toggle notes' indenture. The consent solicitation and the tender offer, which had a deadline of March 18, were initially commenced on February 18 with an offering price of \$118 (consisting of a tender price of \$117.75 and a \$0.25 consent payment). Subsequently, on March 5, the company increased the total consideration for the toggle notes to \$120 (consisting of a tender price of \$119.75 and a \$0.25 consent payment), and on March 9, Verizon received enough consents from holders regarding the removal of certain financial reporting covenants.
- **Sprint 4Q08: mixed but in line.** Although 4Q08 revenues of \$8,430 million fell short of our forecast, EBITDA of \$1,735 million topped most estimates on the Street while postpaid net losses of 1,105k were also ahead of our estimates. Bottom Line: Despite the revenue shortfall, 4Q08 was generally an in-line quarter as we believe investors breathed a sigh of relief as most of the Street was expecting negative results. Looking ahead, with no near-term positive catalyst in sight, we expect things to get worse before they get better for Sprint. The company will continue to struggle operationally while managing an untenable balance sheet with a heavy debt load. While we expect Sprint to successfully fund its 2009 bond maturities (\$600 million), 2010 could be a greater challenge as the company has \$2.4 billion of debt due, including \$1 billion of outstanding borrowings on its \$4.5 billion revolving credit facility (as of 4Q08), which expires at the end of next year. Therefore, with the possibility of refinancing in short-to-intermediate term, we favor Sprint's short-dated bonds (as there is a high likelihood they will get taken out in a refinancing scenario), and we continue to like the Sprint Nextel 2013-2015 paper based on relative value.
- **Level 3 4Q08 FCF ahead of forecast.** Level 3 reported 4Q08 revenues that were slightly below our estimates but in line with consensus. However, despite the slight miss, the company generated FCF of \$124 million, which was solidly ahead of our \$40 million forecast. More importantly, management expects LVLT to be FCF positive in 2010. Bottom Line: Strong finish to a tough 2008. With its \$768 million of cash on hand (as of 4Q08), we believe Level 3 has more than enough liquidity to cover \$182 million due in 2009. We maintain our **Buy** recommendation on the Level 3 credit.
- **Inside you will find our detailed high grade and high yield comparables and telecom calendar.**

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## Rural, Regional, and National Wireless

(\$ mn)	ALLTEL Corp.	ALLTEL Corp. <sup>1</sup>	Centennial	Centennial <sup>3</sup>	iPCS, Inc.	Leap Wireless	MetroPCS <sup>4</sup>	Rogers Wireless <sup>2</sup>
Bond ticker	AT	VZIAT	CYCL	CYCLT	IPCS	LEAP	GWIR	RCICN
Recommendation	NR	NR	NR	Neutral	NR	Neutral	NR	-
Period (LTM)	Sep-08	Dec-08	Nov-08	Dec-08	Dec-08	Dec-08	Dec-08	Dec-08
		<i>Pro forma for Verizon Acquisition</i>		<i>Pro forma for AT&amp;T Acquisition</i>				
<b>Operating statistics</b>								
Covered POPs (mn)	79.4	na	12.6	na	12.4	67.2	64.0	32.3
Penetration	17.4%	na	8.7%	na	5.6%	5.7%	8.4%	24.6%
<b>Total subscribers</b>	<b>13,824,973</b>	<b>85,880,973</b>	<b>1,099,200</b>	<b>78,082,300</b>	<b>691,000</b>	<b>3,844,660</b>	<b>5,366,833</b>	<b>7,942,000</b>
Post-paid/total subscribers	na	na	97.5%	na	na	na	na	79.2%
<b>Monthly (last quarter)</b>								
Post-paid monthly churn	1033.0%	1.4%	2.6% (US)	1.6%	2.3%	3.8%	5.1%	1.1%
Post-paid monthly ARPU	\$55.62	\$51.72	\$66 (US)	\$50.82	\$48.71	\$42.44	\$40.52	na
Post-paid monthly ARPU w/ roaming	na	na	\$74 (US)	na	\$66.00	na	na	\$74.71
<b>Last Twelve Months (LTM)</b>								
Total gross adds	4,356,549	21,035,779	346,800	21,698,700	59,100	2,487,580	3,988,692	1,973,000
<b>Total net adds</b>	<b>1,377,901</b>	<b>8,446,901</b>	<b>23,300</b>	<b>6,722,300</b>	<b>61,200</b>	<b>942,304</b>	<b>1,404,047</b>	<b>606,000</b>
Post-paid/total Net Adds	na	na	na	100.1%	na	na	na	88.8%
<b>Financial statistics (LTM \$mn)</b>								
	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>
Service revenue	8,604	na	778	na	384	1,709	2,437	5,833
Roaming revenue	0	na	67	na	127	0	0	0
Equipment revenue	880	na	64	na	14	250	314	492
<b>Total revenue</b>	<b>9,484</b>	<b>106,838</b>	<b>1,037</b>	<b>125,047</b>	<b>526</b>	<b>1,959</b>	<b>2,752</b>	<b>6,335</b>
Cost of services	2,744	42,972	193	50,222	286	488	857	1,676
Cost of equipment	1,324	na	151	na	56	465	705	696
Gross profit	5,415	63,866	693	74,825	183	1,005	1,190	3,963
Gross margin	57%	60%	67%	60%	35%	57%	43%	63%
SG&A	1,972	27,748	293	30,487	101	591	406	1,150
SG&A/revenue	21%	26%	28%	24%	19%	30%	15%	18%
<b>EBITDA</b>	<b>3,442</b>	<b>36,118</b>	<b>399</b>	<b>44,338</b>	<b>82</b>	<b>414</b>	<b>783</b>	<b>2,813</b>
<i>EBITDA margin</i>	<i>36%</i>	<i>34%</i>	<i>39%</i>	<i>35%</i>	<i>16%</i>	<i>21%</i>	<i>28%</i>	<i>44%</i>
Total interest expense	1,703	3,522	184	3,574	34	158	179	254
Cash interest expense	1,703	3,522	177	3,574	34	179	177	254
Common stock dividends	0	5,227	0	9,665	0	0	0	0
Capital expenditures	938	18,219	138	19,814	75	796	955	929
<b>Free Cash Flow (EBITDA-Cash Int.-Pref. Div.-Capex+Int. Income)</b>	<b>802</b>	<b>9,150</b>	<b>84</b>	<b>11,285</b>	<b>(27)</b>	<b>(561)</b>	<b>(332)</b>	<b>1,630</b>
<b>Balance sheet and capitalization</b>								
Cash and equivalents	1,298	11,589	141	1,933	56	596	1,248	na
Restricted cash	0	0	0	0	0	5	0	na
Availability	1,500	na	150	na	0	200	100	2,315
<b>Total liquidity</b>	<b>2,798</b>	<b>11,589</b>	<b>291</b>	<b>1,933</b>	<b>56</b>	<b>801</b>	<b>1,348</b>	<b>2,315</b>
Senior secured debt (First Lien)	13,875	0	550	0	300	911	1,564	3,226
Senior secured debt (Second Lien)	0	0	0	0	175	0	0	0
Capital leases	0	0	81	0	0	0	91	0
Other debt	0	0	12	0	0	0	0	0
Senior OpCo debt	7,700	79,634	825	83,450	0	1,418	1,950	0
Senior HoldCo debt	2,300	0	548	0	0	250	0	0
Senior subordinated debt	0	0	0	0	0	0	0	490
Discount on debt/other	(443)	0	0	0	0	0	20	12
<b>Total debt</b>	<b>23,432</b>	<b>79,634</b>	<b>2,015</b>	<b>83,450</b>	<b>475</b>	<b>2,579</b>	<b>3,625</b>	<b>3,728</b>
Preferred stock	0	0	0	115	0	0	0	0
Minority interest	0	37,199	1	1	0	57	6	0
Shares (mn)	na	2,841	110	5,893	17	68	350	na
Market price/share	na	\$29.61	\$8.23	\$25.33	\$9.90	\$35.43	\$16.63	na
Market capitalization	4,183	84,122	904	149,270	170	2,412	5,826	na
<b>Total enterprise value (TEV)</b>	<b>26,318</b>	<b>189,366</b>	<b>2,780</b>	<b>230,903</b>	<b>589</b>	<b>4,448</b>	<b>8,209</b>	<b>na</b>
Net PP&E	4,990	90,536	565	99,653	162	1,843	2,848	na

	ALLTEL Corp.	ALLTEL Corp. <sup>1</sup>	Centennial	Centennial <sup>2</sup>	iPCS, Inc.	Leap Wireless	MetroPCS <sup>4</sup>	Rogers Wireless <sup>2</sup>
Bond ticker	AT	VZ/AT	CYCL	CYCL/T	IPCS	LEAP	GWIR	RCICN
Period (LTM)	Sep-08	Dec-08	Nov-08	Dec-08	Dec-08	Dec-08	Dec-08	Dec-08
Ratios	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM
TEV/Revenue	2.8x	1.8x	2.7x	na	1.1x	2.3x	3.0x	na
TEV/EBITDA	7.6x	5.2x	7.0x	na	7.2x	10.7x	10.5x	na
TEV/Free Cash Flow	32.8x	20.7x	32.9x	na	na	na	na	na
TEV/PPE	na	na	na	na	3.6x	2.4x	2.9x	na
Sr sec debt/total debt	59%	0%	31%	0%	100%	35%	46%	87%
Total Debt/Market Capitalization	560%	95%	223%	na	280%	107%	62%	na
Total Debt/TEV	89%	42%	72%	na	81%	58%	44%	na
EBITDA/total interest	2.0x	10.3x	2.2x	12.4x	2.4x	2.6x	4.4x	11.1x
EBITDA/cash interest	2.0x	10.3x	2.3x	12.4x	2.4x	2.3x	4.4x	11.1x
Sr sec debt/EBITDA	4.0x	0.0x	1.6x	0.0x	5.8x	2.2x	2.1x	1.1x
Senior debt/EBITDA	6.9x	2.2x	5.0x	1.9x	5.8x	5.6x	4.6x	1.1x
Total debt/EBITDA	6.8x	2.2x	5.0x	1.9x	5.8x	6.2x	4.6x	1.3x
Total debt+pref./EBITDA	6.8x	2.2x	5.0x	1.9x	5.8x	6.2x	4.6x	1.3x
Net debt/EBITDA	6.4x	1.9x	4.7x	1.8x	5.1x	4.8x	3.0x	na
Net debt+pref./EBITDA	6.4x	1.9x	4.7x	1.8x	5.1x	4.8x	3.0x	na
Total debt/Free Cash Flow	29.2x	8.7x	23.9x	7.4x	na	na	na	2.3x
TEV/subs	\$1,904	\$2,205	\$2,529	na	\$853	\$1,157	\$1,530	na
Debt/subs	\$1,695	\$927	\$1,833	\$1,069	\$688	\$671	\$675	\$469
TEV/covered POP	\$332	na	\$221	na	\$48	\$66	\$128	na
Debt/covered POP	\$295	na	\$160	na	\$38	\$38	\$57	\$116
<b>Senior notes/OpCo</b>								
Coupon		7.000%	10.125%		L+212.5	9.375%	9.250%	6.375%
Maturity		07/01/2012	06/15/2013		01-May-13	11/01/2014	11/01/2014	03/01/2014
Face amount (mn)		\$800	\$500		\$300	\$1,100	\$1,950	\$750
Ratings		Baa1/A	B2 /+ /B /+*		B1/B-	B3/B-	B3/B	Baa3/BBB-
Bid price		103.50	103.75		75.000	95.500	96.000	100.63
YTW		5.80%	7.92%		10.91%	10.45%	10.20%	6.22%
STW		417 bp	705 bp		-	881 bp	856 bp	459 bp
Z-Spread		390 bp	683 bp		-	807 bp	782 bp	393 bp
<b>Senior Subordinated notes/HoldCo</b>								
Coupon			10.000%		0.000% / L+325	10.000%		8.000%
Maturity			01/01/2013		01-May-14	07/15/2015		12/15/2012
Face amount (mn)			\$200		\$175	\$300		\$400
Ratings			Caa1 /+ /CCC+ /+*		Caa1/CCC	B3/B-		Ba1/BB+
Bid price			106.25		59.000	94.38		100.63
YTW			7.46%		16.38%	11.26%		7.59%
STW			625 bp		-	963 bp		638 bp
Z-Spread			570 bp		-	879 bp		593 bp

1. Pro forma for Verizon's acquisition of Alltel on 1-Jan-09 and include financials for Verizon as of 4Q08. Refer to footnote 5 on page 10 for additional details regarding Verizon's pro forma entity.

2. Financials presented in CAD\$. Interest expense estimated.

3. Pro forma for AT&T's acquisition of Centennial Communications for \$944 million in cash announced on 7-Nov-08. Assume AT&T finances the acquisition with 100% debt. Total debt also pro form to reflect \$5.5bn of notes issued by AT&T in January 2009.

4. Total debt and cash pro forma for \$550 million issue senior notes as an add-on to MetroPCS's existing \$1.4 billion 9.25% senior notes due 2014.

Source: J.P. Morgan and Company Reports

## Towers

<b>Towers</b>								
(\$ mn)	American Tower <sup>1</sup>	SpectraSite <sup>1</sup>	American Tower	Crown Castle <sup>2</sup>	Global Signal	Crown Castle <sup>3</sup>	SBA Comm.	
Bond Ticker	AMT	SSI	AMT	CCI	GSL	CCI	SBAC	
Recommendation	Overweight	NR	Overweight	NR	NR	NR	NR	
Period	31-Dec-06	31-Dec-06	31-Dec-08	31-Dec-06	30-Sep-06	31-Dec-08	31-Dec-08	
			<i>PF for Acquisition of SSI</i>			<i>Consolidated</i>		
Owners and Investors	T. Rowe Price, Fidelity, Goldman Sachs	T. Rowe Price, Fidelity, Goldman Sachs	T. Rowe Price, Fidelity, Goldman Sachs	Fortress, SPO Advisory, T Rowe	Fortress, SPO Advisory, T Rowe	Fortress, SPO Advisory, T Rowe	Permit Capital, Goldman Sachs, Longwood	
<b>Total Towers</b>	<b>14,512</b>	<b>7,965</b>	<b>23,740</b>	<b>12,912</b>	<b>11,000</b>	<b>24,079</b>	<b>7,854</b>	
<b>Financial Statistics (LTM \$ mn)</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	
Rental Rev	868	449	1,547	697	472	1,403	396	
Network Development Rev	NA	NA	47	91	NA	124	79	
<b>Total Rev</b>	<b>868</b>	<b>449</b>	<b>1,594</b>	<b>788</b>	<b>472</b>	<b>1,527</b>	<b>475</b>	
Cost of Services	203	134	390	273	188	520	168	
Gross Profit	665	315	1,204	515	284	1,006	307	
Gross Margin	77%	70%	76%	65%	60%	66%	65%	
SG&A	94	45	180	88	47	139	38	
SG&A/Revenue	11%	10%	11%	11%	10%	9%	8%	
Other Income (expense)	14	0	0	0	0	0	0	
<b>EBITDA</b>	<b>585</b>	<b>271</b>	<b>1,092</b>	<b>427</b>	<b>237</b>	<b>867</b>	<b>269</b>	
<i>EBITDA Margin</i>	<i>67%</i>	<i>60%</i>	<i>69%</i>	<i>54%</i>	<i>50%</i>	<i>57%</i>	<i>57%</i>	
Total Interest	175	41	254	162	95	354	104	
Cash Interest	164	40	249	155	95	331	103	
Capital Expenditures	92	36	244	125	21	451	36	
<b>Free Cash Flow (EBITDA-Cash Int.-Capex)</b>	<b>330</b>	<b>195</b>	<b>600</b>	<b>148</b>	<b>121</b>	<b>86</b>	<b>130</b>	
<b>Balance Sheet &amp; Capitalization</b>								
Cash	181	100	143	593	124	826	79	
Restricted Cash	0	0	52	116	31	148	39	
Availability	282	245	495	250	0	30	54	
Liquidity	464	345	690	958	155	1,003	172	
Secured Debt	325	0	1,750	3,514	1,844	5,154	1,490	
Bank Debt	1,000	0	1,075	600	0	722	377	
Other Debt	60	0	60	0	1	0	0	
OpCo Notes	0	0	0	0	0	0	688	
HoldCo Senior Notes	1,433	725	1,448	0	0	900	0	
<b>Total Debt</b>	<b>2,818</b>	<b>725</b>	<b>4,333</b>	<b>4,114</b>	<b>1,844</b>	<b>6,776</b>	<b>2,555</b>	
Preferred Stock	0	0	0	313	0	315	0	
Minority Interests	0	0	3	29	0	0	0	
Stock Price	\$30.60	na	\$30.60	\$19.45	na	\$19.45	\$22.40	
Shares	409	na	409	183	70	286	116	
Market Value of Equity	12,514	na	12,514	3,561	na	5,557	2,610	
<b>Total Enterprise Value</b>	<b>15,150</b>	<b>na</b>	<b>16,655</b>	<b>7,308</b>	<b>na</b>	<b>11,674</b>	<b>5,047</b>	
Net PP&E	na	na	3,023	3,246	1,661	5,060	1,503	

	American Tower <sup>1</sup>	SpectraSite <sup>1</sup>	American Tower	Crown Castle <sup>2</sup>	Global Signal	Crown Castle <sup>3</sup>	SBA Comm.
Bond Ticker	AMT	SSI	AMT	CCI	GSL	CCI	SBAC
Period	31-Dec-06	31-Dec-06	31-Dec-08	31-Dec-06	30-Sep-06	31-Dec-08	31-Dec-08
Ratios	LTM	LTM	LTM	LTM	LTM	LTM	LTM
EBITDA/Total Interest	3.3x	6.7x	4.3x	2.6x	2.5x	2.4x	2.6x
EBITDA/Cash Interest	3.6x	6.7x	4.4x	2.8x	2.5x	2.6x	2.6x
Securitized Debt/ EBITDA	0.6x	0.0x	1.6x	8.2x	7.8x	5.9x	5.5x
OpCo Debt/ EBITDA	2.4x	0.0x	2.6x	9.6x	7.8x	6.8x	9.5x
<b>Total Debt/EBITDA</b>	<b>4.8x</b>	<b>2.7x</b>	<b>4.0x</b>	<b>9.6x</b>	<b>7.8x</b>	<b>7.8x</b>	<b>9.5x</b>
Net Debt/EBITDA	4.5x	2.3x	3.8x	8.0x	7.1x	6.7x	9.1x
Total Debt + Pref./EBITDA	4.8x	2.7x	4.0x	10.4x	7.8x	8.2x	9.5x
Net Debt + Pref./EBITDA	4.5x	2.3x	3.8x	8.7x	7.1x	7.1x	9.1x
Total Debt/Free Cash Flow	8.5x	3.7x	7.2x	27.8x	15.3x	78.9x	na
Total Enterprise Value/Revenue	17.5x	na	10.5x	9.3x	na	7.6x	10.6x
<b>Total Enterprise Value/EBITDA</b>	<b>25.9x</b>	<b>na</b>	<b>15.2x</b>	<b>17.1x</b>	<b>na</b>	<b>13.5x</b>	<b>18.8x</b>
Total Enterprise Value/FCF	45.9x	na	27.7x	49.4x	na	135.9x	na
Total Enterprise Value/Net PP&E	na	na	5.5x	2.3x	na	2.3x	na
Bank debt/Total debt	35%	0%	25%	15%	0%	11%	15%
Total Debt/Market Capitalization	23%	na	35%	116%	na	122%	98%
Total Debt/TEV	19%	na	26%	56%	na	58%	51%
Total Debt/Total Towers	na	na	\$182,523	\$318,610	\$454,273	\$281,396	\$325,312
TEV/Total Towers	na	na	\$701,554	\$565,998	na	\$484,806	\$642,597
<b>Senior Notes/ OpCo</b>							
Coupon	7.000%		7.000%			9.000%	
Maturity	10/15/2017		10/15/2017			01/15/2015	
Face Amount (mn)	\$0		\$0			\$900	
Ratings	Ba1/BB+		Ba1/BB+			B1/B	
Bid Price	96.50		96.50			100.00	
YTW	7.56%		7.56%			9.00%	
STW	494 bp		494 bp			736 bp	
Z-Spread	N.A.		N.A.			675 bp	

1. Revenues, EBITDA, and minority interest balance are estimated.

2. Balance sheet pro forma for the company's repurchase of 17.7 million shares of common stock funded with a \$600 million term loan draw down.

3. Total debt amount stated in 10K and is pro forma for issuance \$900 million of senior notes due 2015; proceeds of which were used to pay down CCI's CMBS debt and senior secured debt. Revolver availability is as of 17-Feb-09.

Source: J.P. Morgan and Company Reports

## Incumbent Local Exchange Carriers

(\$ mn)	Alaska Communications Systems Group	Cincinnati Bell	Frontier Comm.	FairPoint Comm. <sup>1</sup>	Hawaiian Telcom	Qwest Comm. International Inc. <sup>2</sup>	Qwest Corp.	Windstream
<b>Bond Ticker</b>	ALSK	CBB	FTR	FPR	HWTEL	OUS	OUS	WIN
<b>Recommendation</b>	NR	Overweight	Overweight	NR	Underweight	Neutral	Neutral	NR
<b>Period</b>	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	30-Sep-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008
<b>Region</b>	AK	OH, KY, IN	ILEC services in 23 states	18 states incl. ME, NH, VT	All of HI's Major Islands	14 Midwestern Sates	14 Midwestern Sales	OK, TX, PA, GA
<b>Owners &amp; Investors</b>	Fox Paine Capital LLC, Cook Inlet Region	Brandes, Shapiro Capital, Gamco Investors	Fidelity, Wellington, Bank of America	VZ Holders (60%) FRP Holders (40%)	Carlyle Group	Philip Anschutz, Legg Mason, Fidelity	Qwest Services Corp.	AT Holders (85%) VCG Holders (15%)
<b>Businesses (% Last Quarter Revs)</b>	Wireless (36%) Access (24%) Retail (24%) Enterprise (9%) Wholesale (5%)	Local (55%) Wireless (22%) Tech. Solutions (25%)	Local (38%) Data (28%) Access (18%) Long Distance (8%) Directory (5%) Other (4%)	Local (40%) Network Access (33%) Long Distance (15%) Data & Internet (9%) Other (4%)	Local (43%) Network Access (31%) DSL and Internet (7%) LD Services (8%) Other (12%)	Voice (55%) Data/Internet/Video (40%) Wireless (3%) Other (3%)	Voice (49%) Data/Internet/Video (31%) Wireless (21%)	Voice (38%) Data/special access (7%) Switched access/USF (18%) Long distance (9%) Other (10%)
<b>Operating Statistics</b>								
Access Lines	201,368	779,700	2,254,333	1,721,709	524,201	11,565,000	11,565,000	3,037,800
Access Lines (Y/Y)	-11%	-7%	-7%	-10%	-9%	-10%	-9%	-5%
DSL Lines	67,648	233,200	579,943	293,856	95,025	2,847,000	2,847,000	978,800
DSL Lines (Y/Y)	0.3%	5%	11%	1%	2.4%	9%	11%	12%
Dial-Up Subscribers	6,741	na	na	1,426,349	na	na	na	na
Long-Distance Subscribers	64,252	531,600	na	631,458	253,302	na	na	2,006,700
Wireless Subscribers	149,812	550,600	na	na	13,500	717,000	na	na
<b>Financial Statistics (LTM \$ mn)</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>
Revenues	390	1,403	2,237	1,342	456	13,475	10,388	3,172
Cost of Services	na	640	222	595	179	4,572	1,687	1,144
Gross Profit	na	763	2,015	747	277	8,903	8,701	2,027
Gross Margin	na	54%	90%	56%	61%	66%	84%	64%
SG&A	na	285	802	394	176	4,377	3,765	381
SG&A/Revenue	na	20%	36%	29%	39%	32%	36%	12%
EBITDA	129	478	1,213	382	131	4,526	4,936	1,638
EBITDA Margin	33%	34%	54%	28%	29%	34%	48%	52%
Total Interest Expense	33	140	363	196	92	1,021	589	416
Cash Interest Expense	31	135	366	125	97	1,021	589	416
Capital Expenditures	126	231	288	297	87	1,757	1,404	318
Capex/Revenue	32%	16%	13%	22%	19%	13%	14%	10%
Common Stock Div (forward 12 months)	38	0	310	0	0	545	0	437
Free Cash Flow (EBITDA-Cash Int.-Capex-Min Int-Forward Dividends)	(67)	118	249	(40)	(53)	1,203	2,943	466
<b>Balance Sheet &amp; Capitalization</b>								
Cash & Equivalents	1	7	164	100	78	335	233	297
Restricted Cash	21	0	0	8	0	0	0	0
Availability	40	151	116	5	0	850	0	343
Total Liquidity	62	158	280	113	78	1,185	233	640
OpCo Unsecured Debt	0	230	0	0	0	7,588	0	0
Senior Secured Debt	431	330	0	1,980	575	0	0	2,363.0
Capital Leases	6	56	0	0	0	0	34	0.0
Other Debt	0	75	0	0	0	0	0	0.0
Senior Debt	125	697	4,726	551	350	1,831	7,554	3,046.0
Senior Subordinated Debt (First)	0	0	0	0	150	0	0	0.0
Senior Subordinated Debt (Second)	0	573	0	0	0	4,010	0	0.0
Subordinated Debt	0	0	0	0	0	0	0	0.0
Unamortized Discount	0	0	0	(1)	0	0	0	(26.5)
<b>Total Debt</b>	<b>562</b>	<b>1,961</b>	<b>4,726</b>	<b>2,530</b>	<b>1,075</b>	<b>13,429</b>	<b>7,588</b>	<b>5,382.5</b>
Preferred Stock	0	129	0	0	0	0	0	0
Minority Interest	0	0	0	0	0	0	0	0
Shares (MM)	45	239	310	89	na	1,705	na	437
Market Price/Share	\$5.99	\$2.05	\$6.61	\$0.43	na	\$3.41	na	\$8.00
Market Capitalization/Stockholders' Equity	267	490	2,047	38	83	5,813	na	3,497
<b>Total Enterprise Value (TEV)</b>	<b>807</b>	<b>2,574</b>	<b>6,609</b>	<b>2,460</b>	<b>1,080</b>	<b>18,907</b>	<b>na</b>	<b>8,583</b>
Net PP&E	499	1,044	3,240	2,013	756	13,045	11,441	3,897

	Alaska Communications Systems Group	Cincinnati Bell	Frontier Comm.	FairPoint Comm. <sup>1</sup>	Hawaiian Telcom	Qwest Comm. International Inc. <sup>2</sup>	Qwest Corp.	Windstream
Bond Ticker	ALSK	CBB	FTR	FPR	HWTEL	QUS	QUS	WIN
Period	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	30-Sep-08	31-Dec-08	31-Dec-08	31-Dec-08
Ratios	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM
TEV/Revenue	2.1x	1.8x	3.0x	1.8x	2.4x	1.4x	na	2.7x
TEV/EBITDA	6.3x	5.4x	5.4x	6.4x	NM	4.2x	na	5.2x
TEV/Free Cash Flow	NM	21.9x	26.5x	NM	NM	15.7x	na	18.4x
TEV/PPE	1.6x	2.5x	2.0x	na	1.4x	1.4x	na	2.2x
Sr Sec Debt/Total Debt	78%	20%	0%	78%	53%	0%	0%	44%
Total Debt/Market Capitalization	210%	400%	231%	6612%	1290%	231%	na	154%
Total Debt/TEV	70%	76%	72%	103%	99%	71%	na	63%
EBITDA/Total Interest	3.9x	3.4x	3.3x	2.0x	1.4x	4.4x	8.4x	3.9x
EBITDA/Cash Interest	4.1x	3.6x	3.3x	3.1x	1.3x	4.4x	8.4x	3.9x
OpCo Unsecured Debt/EBITDA	1.0x	0.5x	0.0x	0.0x	0.0x	1.7x	0.0x	0.0x
Sr Sec Debt/EBITDA	3.4x	1.3x	0.0x	5.2x	4.4x	1.7x	0.0x	1.4x
Senior Debt/EBITDA	4.4x	2.9x	3.9x	6.6x	7.1x	2.1x	1.5x	3.3x
Total Debt/EBITDA	4.4x	4.1x	3.9x	6.6x	8.2x	3.0x	1.5x	3.3x
Total Debt+Pref./EBITDA	4.4x	4.4x	3.9x	6.6x	8.2x	3.0x	1.5x	3.3x
Net Debt/EBITDA	4.2x	4.1x	3.8x	6.3x	7.6x	2.9x	1.5x	3.1x
Net Debt+Pref./EBITDA	4.2x	4.4x	3.8x	6.3x	7.6x	2.9x	1.5x	3.1x
Total Debt/Free Cash Flow	NM	16.7x	19.0x	NM	NM	11.2x	2.6x	11.6x
TEV/Access Lines	\$4,009	\$3,302	\$2,932	\$1,429	\$2,060	\$1,635	na	\$2,825
Total Debt/Access Lines	\$2,788	\$2,515	\$2,096	\$1,469	\$2,050	\$1,161	\$656	\$1,772
<b>Senior Notes/OpCo</b>								
Coupon		7.250%	6.250%	13.125%	9.750%	7.500%	8.875%	7.000%
Maturity		07/15/2013	01/15/2013	04/01/2018	05/01/2013	02/15/2014	03/15/2012	03/15/2019
Face Amount (mn)		\$465	\$700	\$551	\$200	\$798	\$1,500	\$500
Ratings		Ba3/B+	Ba2/BB	B3 / -/B+ / -	WR/NR	Ba3/B+	Ba1/BBB-	Ba3/BB
Bid Price		94.50	88.50	26.50	4.87	84.00	97.50	86.00
YTW		8.81%	9.95%	51.78%	190.50%	11.91%	9.86%	9.17%
STW		760 bp	831 bp	5013 bp	18928 bp	1069 bp	823 bp	655 bp
Z-Spread		665 bp	790 bp	4951 bp	N.A.	963 bp	804 bp	630 bp
Leverage @ Bond Issue Level		2.9x	3.9x	6.6x	7.1x	2.1x	1.5x	3.3x
<b>Senior Subordinated Notes/HoldCo</b>								
Coupon		8.375%			12.500%	7.250%		
Maturity		01/15/2014			05/01/2015	02/15/2011		
Face Amount (mn)		\$582			\$150	\$801		
Ratings		B2/B-			WR/NR	B1/B+		
Bid Price		89.00			0.75	95.00		
YTW		11.40%			821.99%	10.22%		
STW		977 bp			82069 bp	901 bp		
Z-Spread		915 bp			N.A.	862 bp		
Leverage @ Bond Issue Level		4.1x			8.2x	3.0x		

1. Total debt is pro forma to reflect incremental \$50 million of borrowings on the revolving credit facility in 1Q09. Cash is as of 28-Feb-09. EBITDA is only adjusted for non-cash pension and OPEB and non-cash sock based comp. LTM cash interest expense is estimated.

2. Total debt and cash pro forma for the tendering of \$230 million of QCII L+350bp floating rate senior notes due 2009 in Jan-09.

Source: J.P. Morgan & Company Reports

## Long-Haul & Competitive Local Exchange Carriers

(\$ mn)	AT&T Corp. <sup>1</sup>	General Comm	Level 3	PAETEC <sup>2</sup>	Primus	tw telecom	West Corporation <sup>3</sup>
<b>Bond Ticker</b>	T	GNCMA	LVLV	PAET	PRTL	TWTC	WSTC
<b>Recommendation</b>	NR	NR	Overweight	NR	NR	Neutral	Neutral
<b>Period</b>	31-Dec-2005	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008
<b>Description</b>	Business and residential communication services through owned and operated network facilities.	Telecommunications, cable, and internet services in Alaska.	Telecommunications and info services, including local, long distance and data transmission. Primarily wholesale.	CLEC offering voice, data, and internet services.	Data, internet, DSL, voice, and other services.	CLEC offering telephony & data services.	Provider of call centers services, conference services, and accounts receivables management.
<b>Owners &amp; Investors</b>	AT&T Inc.	Wellington Mgmt, GCI Qualified	Southeastern Asset Management, AXA	PAETEC (67%) US LEC (33%)	Sean O'Sullivan, Paul Singh, Kingdon Cap.	Fidelity, Columbia Wanger, Capital Research Management	Thomas H. Lee Partners, Quadrangle, Gary L. and Mary E. West
<b>Markets (% of Last Quarter Revs)</b>	Long-Distance Voice (42%) Data (39%) Voice (13%) Other (7%)	Consumer (45%) Commercial (23%) Network Access (21%) Managed Broadband (7%) Regulated Operations (4%)	Core Communications (92%) SBC Contract Serv. (6%) Other Communications (2%)	Network Services (79%) Carrier Services (18%) Integrated Solutions (4%)	Voice (64%) Data / Internet (20%) VOIP (16%)	Data and Internet Serv. (36%) Network Services (32%) Voice Services (28%) Inter-carrier Comp. (3%)	Communications Services (51%) Conferencing Services (44%) Receivables Management (6%)
<b>Financial Statistics (LTM \$ mn)</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LOA</b>	<b>LTM</b>	<b>LTM</b>	<b>LOA</b>
Revenues	26,763	575	4,301	1,608	898	1,159	2,287
Cost of Services	15,404	203	1,809	800	571	491	1,035
Gross Profit	11,359	371	2,492	808	327	668	1,252
Gross Margin	42%	65%	58%	50%	36%	58%	55%
SG&A	5,261	203	1,504	560	261	269	894
SG&A/Revenue	20%	35%	35%	35%	29%	23%	39%
<b>EBITDA</b>	<b>6,097</b>	<b>171</b>	<b>988</b>	<b>241</b>	<b>66</b>	<b>399</b>	<b>678</b>
EBITDA Margin	23%	30%	23%	15%	7%	34%	30%
Total Interest Expense	704	48	534	74	54	77	380
Cash Interest Expense	704	48	531	71	54	77	380
Capital Expenditures	1,416	329	449	128	26	275	110
Capex/Revenue	5%	57%	10%	8%	3%	24%	5%
Common Stock Div (forward 12 months)	0	0	0	0	0	0	0
Free Cash Flow (EBITDA-Cash Int.-Capex-Min Int-Forward Dividends)	3,977	(206)	8	41	(14)	48	188
<b>Balance Sheet &amp; Capitalization</b>							
Cash & Equivalents	2,837	30	768	165	37	352	168
Restricted Cash	0	0	130	0	0	0	9
Availability	500	106	0	0	0	100	27
Total Liquidity	3,337	136	898	165	37	452	204
Senior Secured Debt	0	460	1,400	630	328	588	2,758
OpCo Unsecured Debt	0	0	2,816	0	0	400	0
Capital Leases	0	97	35	6	6	11	0
Other Debt	1,742	0	69	0	3	0	89
Senior Debt	5,940	258	1,784	300	260	374	650
Subordinated Debt	0	0	489	0	8	0	450
<b>Total Debt</b>	<b>7,682</b>	<b>815</b>	<b>6,580</b>	<b>931</b>	<b>605</b>	<b>1,373</b>	<b>3,946</b>
Preferred Stock	0	0	0	0	0	0	1,158
Minority Interest	0	0	0	0	0	0	4
Shares (MM)	na	52	1,629	140	143	148	na
Market Price/Share	na	\$5.65	\$0.74	\$1.29	\$0.01	\$8.00	na
Market Capitalization/Stockholders' Equity	na	296	1,205	181	2	1,186	(2,313)
<b>Total Enterprise Value (TEV)</b>	<b>na</b>	<b>1,081</b>	<b>6,887</b>	<b>947</b>	<b>570</b>	<b>2,207</b>	<b>2,618</b>
Net PP&E	10,845	847	6,159	639	112	1,307	320

	AT&T Corp. <sup>1</sup>	General Comm	Level 3	PAETEC <sup>2</sup>	Primus	tw telecom	West Corporation <sup>3</sup>
<b>Bond Ticker</b>	T	GNCMA	LVLTL	PAET	PRTL	TWTC	WSTC
<b>Period</b>	31-Dec-05	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08
<b>Ratios</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LOA</b>	<b>LTM</b>	<b>LTM</b>	<b>LOA</b>
TEV/Revenue	na	1.9x	1.6x	0.6x	0.6x	1.9x	1.1x
TEV/EBITDA	na	6.3x	7.0x	3.9x	8.7x	5.5x	3.9x
TEV/Free Cash Flow	na	NM	860.9x	22.9x	NM	46.5x	13.9x
TEV/PPE	na	1.3x	1.1x	1.5x	5.1x	1.7x	8.2x
Sr Sec Debt/Total Debt	0%	68%	65%	68%	55%	73%	70%
Total Debt/Market Capitalization	na	276%	546%	515%	35324%	116%	na
Total Debt/TEV	na	75%	96%	98%	106%	62%	151%
EBITDA/Total Interest	8.7x	3.5x	1.9x	3.3x	1.2x	5.2x	1.8x
EBITDA/Cash Interest	8.7x	3.5x	1.9x	3.4x	1.2x	5.2x	1.8x
Sr Sec Debt/EBITDA	0.0x	2.7x	1.4x	2.6x	5.0x	1.5x	4.1x
OpCo Unsecured Debt/EBITDA	0.0x	3.3x	4.3x	2.6x	5.1x	2.5x	4.1x
Senior Debt/EBITDA	1.3x	4.8x	6.2x	3.9x	9.1x	3.4x	5.0x
Senior Subordinated Debt/EBITDA	1.3x	4.8x	6.7x	3.9x	9.2x	3.4x	5.7x
Total Debt/EBITDA	1.3x	4.8x	6.7x	3.9x	9.2x	3.4x	5.8x
Total Debt+Pref./EBITDA	1.3x	4.8x	6.7x	3.9x	9.2x	3.4x	7.5x
Net Debt/EBITDA	0.8x	4.6x	5.8x	3.2x	8.6x	2.6x	5.6x
Net Debt+Pref./EBITDA	0.8x	4.6x	5.8x	3.2x	8.6x	2.6x	7.3x
Total Debt/Free Cash Flow	1.9x	NM	822.5x	22.5x	NM	28.9x	20.9x
<b>Senior Notes/OpCo</b>							
Coupon	7.300%	7.250%	12.250%	9.500%	8.000%	9.250%	9.500%
Maturity	11/15/2011	02/15/2014	03/15/2013	07/15/2015	01/15/2014	02/15/2014	10/15/2014
Face Amount (mn)	\$1,496	\$320	\$550	\$300	\$191	\$400	\$650
Ratings	A2/A	B3/B	Caa1/CCC+	Caa1/CCC+	WR/NR	B3/CCC+	Caa1/B-
Bid Price	107.27	88.00	69.50	68.88	7.00	96.25	68.00
YTW	4.35%	10.44%	24.73%	17.92%	109.40%	10.24%	19.08%
STW	272 bp	880 bp	2,352 bp	1,628 bp	10,776 bp	903 bp	1,744 bp
Z-Spread	263 bp	817 bp	2,352 bp	1,628 bp	N.A.	798 bp	1,673 bp
Leverage @ Bond Issue	1.3x	4.8x	4.3x	3.9x	9.1x	2.5x	5.0x

1. Fourth-quarter income statement figures estimated based on the company's reported results for the period from 11/19/05 - 12/31/05. Balance sheet figures represent 3Q05 numbers, and the company's entering into a new \$500 million revolver.

2. Total interest expense and cash interest expense is stated on an LTM basis.

3. Financials are stated on an LOA basis reflecting 4Q08. 4Q08 Adj. EBITDA excludes \$7.0 million of unrealized acquisition synergies associated with Genesys.

Source: J.P. Morgan & Company Reports

## High Grade Domestic Telecom

(\$ mn)	AT&T Inc.	BellSouth <sup>1</sup>	Cingular	AT&T Consolidated <sup>2</sup>	CenturyTel	Embarq	CTL & EQ <sup>4</sup>	Sprint Nextel	Verizon <sup>3</sup>	Verizon Wireless
<b>Bond Ticker</b>	T	BLS	CNG	T	CTL	EO	Pro forma <sup>4</sup>	S	VZ	VZW
<b>Recommendation</b>	NEUTRAL	NEUTRAL	NEUTRAL	NEUTRAL	NR	NR		NEUTRAL	NEUTRAL	NR
<b>Period</b>	31-Dec-2006	31-Dec-2006	31-Dec-2006	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008
	<i>Stand-alone</i>	<i>Stand-alone</i>	<i>Stand-alone</i>	<i>Consolidated</i>						<i>Stand-alone</i>
<b>Owners &amp; Investors</b>	Cap. Research, Barclay's, State Street	Cap. Research, State Street, Barclays	SBC- 60% BellSouth- 40%	Cap. Research, State Street, Barclays	Goldman Sachs, JP Morgan, Barclay's	State Street, Barclays		Cap. Research, Legg Mason, AXA	Barclay's, Cap. Research, State Street	Verizon- 55% Vodafone- 45%
<b>Businesses (% LQ Revs)</b>	Voice (51%) Data (29%) Other (13%) Directory (6%) Wireless Serv. (1%)	Voice (58%) Data (25%) Advertising (11%) Other (6%)	Service (90%) Equipment (10%)	Wireless (20%) Voice (37%) Data (28%) Directory (4%) Other (10%)	Voice (34%) Network Access (32%) Data (20%) Fiber trnspt & CLEC (6%) Other (9%)	Local voice (63%) Data & DSL (23%) Product (9%) Wireless/Other (5%)		Wireless (83%) Wireline (17%)	Wireline (48%) Domestic Wireless (52%)	Service (86%) Equipment (14%)
<b>Wireline Statistics</b>										
Access Lines	46,307,000	18,755,000	na	55,610,000	1,998,000	5,696,000	7,694,000	na	36,161,000	na
Access Lines (Y/Y)	-6%	-6%	na	-10%	-6%	-10%	-8%	na	-9%	na
DSL Lines	8,529,000	3,632,000	na	15,077,000	641,000	1,412,000	2,053,000	na	8,673,000	na
DSL Lines (Y/Y)	23%	26%	na	7%	16%	32%	30%	na	5%	na
Dial-Up Subscribers	na	na	na	na	na	na	na	na	na	na
Long-Distance Subscribers	na	7,682,000	na	na	na	na	na	na	na	na
<b>Wireless Statistics</b>										
Wireless Subscribers	na	na	60,962,000	78,082,300	na	78,000	78,000	36,678,000	85,880,973	85,880,973
Post-paid monthly churn	na	na	1.5%	1.6%	na	na	na	-10.0%	1.4%	1.4%
Monthly ARPU	na	na	\$49.29	\$50.82	na	na	na	\$56.00	\$51.72	\$51.72
Total gross adds (LTM)	na	na	19,200,000	21,698,700	na	na	na	na	21,035,779	21,035,779
Total net adds (LTM)	na	na	6,892,000	6,722,300	na	na	na	-4,073,000	8,446,901	8,446,901
<b>Financial Statistics (LTM \$ mn)</b>										
	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>	<b>LTM</b>
Revenues	63,174	20,751	37,506	125,047	2,598	6,124	8,722	35,635	106,838	47,929
Cost of Services	27,428	7,843	14,827	50,222	954	1,994	2,948	16,746	42,972	15,120
Gross Profit	35,746	12,908	22,679	74,825	1,644	4,130	5,774	18,889	63,866	32,809
Gross Margin	57%	62%	60%	60%	63%	67%	66%	53%	60%	68%
SG&A	15,109	3,779	11,324	30,487	386	1,435	1,821	11,355	27,748	14,327
SG&A/Revenue	24%	18%	30%	24%	15%	23%	21%	32%	26%	30%
EBITDA	20,637	9,129	11,355	44,338	1,258	2,695	3,953	7,664	36,118	18,482
EBITDA Margin	33%	44%	30%	35%	48%	44%	45%	22%	34%	39%
Total Interest Expense	1,843	1,120	1,186	3,574	202	405	607	1,362	3,522	na
Cash Interest Expense	1,843	1,120	1,186	3,574	202	405	607	1,421	3,522	na
Capital Expenditures	8,320	3,524	7,039	19,814	287	675	962	3,882	18,219	5,295
Capex/Revenue	13%	17%	19%	17%	11%	11%	11%	11%	17%	11%
Common Stock Div (annualized)	6,414	2,116	0	9,665	281	392	673	0	5,227	0
Free Cash Flow (EBITDA-Cash Int.-Capex-Dividends)	4,060	2,369	3,130	11,285	488	1,223	1,711	2,361	9,150	13,187
<b>Balance Sheet &amp; Capitalization</b>										
Cash & Equivalents	2,418	na	512	1,933	243	107	350	3,691	11,589	na
Restricted Cash	0	na	0	0	0	0	0	0	0	0
Total Cash & Equivalents	2,418	na	512	1,933	243	107	350	3,691	11,589	na
Total Debt	60,906	na	21,602	83,450	3,315	5,745	8,700	21,610	79,634	na
Net Debt	58,488	na	21,090	81,517	3,072	5,638	8,350	17,919	68,045	na
Preferred Stock	0	na	0	0	0	0	0	0	0	0
Minority Interest	0	na	601	0	0	0	0	0	37,199	na
Shares (MM)	3,911	na	na	5,893	99	143	242	2,859	2,841	0
Market Price/Share	\$25.33	na	na	\$25.33	\$26.50	\$35.55	-	\$3.45	\$29.61	na
Market Capitalization	99,066	na	na	149,270	2,630	5,084	7,713	9,864	84,122	na
Total Enterprise Value (TEV)	157,554	na	na	230,787	5,702	10,722	16,063	27,783	189,366	na
Net PP&E	95,446	na	19,687	99,653	2,896	7,411	10,307	22,373	90,536	na

	AT&T Inc.	BellSouth <sup>1</sup>	Cingular	AT&T Consolidated <sup>2</sup>	CenturyTel	Embarq	CTL & EQ <sup>4</sup>	Sprint Nextel	Verizon <sup>3</sup>	Verizon Wireless
Bond Ticker	T	BLS	CNG	T	CTL	EQ	Pro forma <sup>4</sup>	S	VZ	VZW
Period	31-Dec-06	31-Dec-06	31-Dec-06	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08
Ratios	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM
TEV/Revenue	2.5x	na	na	1.8x	2.2x	1.8x	1.8x	0.8x	1.8x	na
TEV/EBITDA	7.6x	na	na	5.2x	4.5x	4.0x	4.1x	3.6x	5.2x	na
TEV/Free Cash Flow	38.8x	na	na	20.5x	11.7x	8.8x	9.4x	11.8x	20.7x	na
TEV/PPE	1.7x	na	na	2.3x	2.0x	1.4x	1.6x	1.2x	2.1x	na
Total Debt/Market Capitalization	61%	na	na	56%	126%	113%	113%	219%	95%	na
Total Debt/TEV	39%	na	na	36%	58%	54%	54%	78%	42%	na
EBITDA/Total Interest	11.2x	8.2x	9.6x	12.4x	6.2x	6.7x	6.5x	5.6x	10.3x	na
EBITDA/Cash Interest	11.2x	8.2x	9.6x	12.4x	6.2x	6.7x	6.5x	5.4x	10.3x	na
Total Debt/EBITDA	3.0x	na	1.9x	1.9x	2.6x	2.1x	2.2x	2.8x	2.2x	na
Total Debt+Pref./EBITDA	3.0x	na	1.9x	1.9x	2.6x	2.1x	2.2x	2.8x	2.2x	na
Net Debt/EBITDA	2.8x	na	1.9x	1.8x	2.4x	2.1x	2.1x	2.3x	1.9x	na
Net Debt+Pref./EBITDA	2.8x	na	1.9x	1.8x	2.4x	2.1x	2.1x	2.3x	1.9x	na
Total Debt/Free Cash Flow	15.0x	na	6.9x	7.4x	6.8x	4.7x	5.1x	9.2x	8.7x	na
TEV/Access Lines	\$3,402	na	na	\$4,150	\$2,854	\$1,882	\$2,088	na	\$5,237	na
Total Debt/Access Lines	\$1,315	na	na	\$1,501	\$1,659	\$1,009	\$1,131	na	\$2,202	na
TEV/Wireless Subs	na	na	na	\$2,956	na	na	na	\$757	\$2,205	na
Total Debt/Wireless Subs	na	na	\$354	\$1,069	na	na	na	\$589	\$927	na
<b>Senior Notes</b>										
Coupon	5.100%	5.200%	8.125%	5.500%	6.000%	7.082%		6.900%	8.750%	8.500%
Maturity	09/15/2014	09/15/2014	05/01/2012	02/01/2018	04/01/2017	06/01/2016		05/01/2019	11/01/2018	11/15/2018
Face Amount (mn)	\$2,250	\$1,500	\$2,000	\$2,500	\$500	\$2,000		\$1,729	\$2,000	\$2,250
Ratings	A2/A	A2/A	A2/A	A2/A	Baa2 /- /BBB-	Baa3 /- /BBB-		Ba2/BB	A3/A	A2/A
Spread to Treasury	305 bp	344 bp	355 bp	305 bp	640 bp	746 bp		1042 bp	355 bp	358 bp
Z-Spread	228 bp	266 bp	333 bp	285 bp	630 bp	648 bp		1021 bp	334 bp	336 bp
I-Spread	225 bp	264 bp	332 bp	280 bp	622 bp	640 bp		1007 bp	323 bp	326 bp
Bid Price	101.967	100.59	108.29	98.787	83	89.5		66	118.431	116.451

1. Fourth quarter 2006 numbers are estimated based upon AT&T's supplemental financial release, detailing BellSouth's year-end results.

2. Pro forma for AT&T's acquisition of Centennial Communications for \$944 million in cash announced on 7-Nov-08. Assume AT&T finances the acquisition with 100% debt. Total debt also pro forma to reflect \$5.5bn of notes issued in January 2009.

3. Pro forma for (1) Verizon's acquisition of Alltel; (2) total debt also reflects the issuance of a total of \$4.25 billion of senior notes issues on 30-Jan-09.

4. Pro forma for the CenturyTel-Embarq merger announced on 27-Oct-08. Pro forma EBITDA does not include \$400 million of annualized run-rate synergies. Total debt pro forma for the full repayment of \$360 million of Embarq's term loan borrowings upon commencement of the merger.

Source: J.P. Morgan & Company Reports

## High Grade European Telecom

(Currency mn)	BT Group	Deutsche Telekom	France Telecom	Royal KPN	Telecom Italia <sup>3</sup>	Telefonica <sup>2</sup>	Vodafone Group <sup>1</sup>
<b>Bond Ticker</b>	BRITEL	DT	FRTEL	KPN	TITIM	TELEFO	VOD
<b>Recommendation</b>	NR	NR	NR	NR	NR	NR	NR
<b>Period</b>	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	31-Dec-2008	30-Sep-2008
<b>Reported Currency</b>	Pounds (£)	Euros (€)	Euros (€)	Euros (€)	Euros (€)	Euros (€)	Pounds (£)
<b>Owners &amp; Investors</b>	Brandes, Barclays, Legal & Genral Inv	KfW Bankengruppe, Federal Republic of Germany	French State, ERAP, Capital Research	Capital Research, Capital Group, The Netherlands	Olimpia, Brandes Investment, Holinvest	La Caixa, Banco Bilbao Vizcaya, Fidelity	Capital Group, Legal & Genral Inv, Barclays
<b>Businesses (% Last Period Revs)</b>	Major Corporate (40%) Wholesale/Carrier (24%) Consumer (23%) Business (12%)	T-Mobile (58%) Broadband/Fixedline (27%) Business Customers (14%) GHS (1%)	Personal (49%) Home (38%) Enterprise (13%)	Mobile (30%) Consumer (27%) Wholesale (28%) Business (23%) Getronics (12%)	Domestic (77%) Brazil Mobile (17%) Eur. Broadband (4%) Olivetti (1%) Media (1%)	Latin America (39%) Spain (34%) O2 Europe (24%) Other (1%)	Mobile Voice (68%) Messaging (11%) Fixed Line (6%) Data (7%) Other (8%)
<b>Operating Statistics</b>							
Telephone/ Fixed/ Access Lines (Co. Defined)	25,907,000	33,800,000	45,788,000	5,025,000	20,031,000	42,930,800	1,765,000
Access Lines (Y/Y)	-5%	-8%	0.5%	-7%	-17%	2.3%	na
Broadband Connections	8,074,000	15,000,000	12,716,000	2,536,000	11,129,000	12,472,100	2,900,000
Broadband Connections (Y/Y)	-5%	8%	9%	0.3%	1%	21%	26%
Wireless Subscribers	412,000	128,300	121,821,000	30,996,000	71,199,000	195,598,900	289,000,000
<b>Financial Statistics (LTM mn)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>
Revenues	21,339	61,666	53,488	14,602	30,514	57,946	39,693
EBITDA	5,233	19,459	19,399	5,058	11,367	22,919	13,856
EBITDA Margin	25%	32%	36%	35%	37%	40%	35%
Interest	644	2,895	2,766	704	2,630	2,797	1,978
Capital Expenditures	3,096	6,908	7,140	1,925	5,365	8,401	4,190
Capex/Revenue	15%	11%	13%	13%	18%	14%	11%
Common Stock Div (annualized)	1,364	3,385	2,091	1,029	1,485	4,593	4,487
EBITDA- Interest- Capex- Dividends	129	6,271	7,402	1,400	1,887	7,128	3,201
<b>Cash Flow Summary</b>							
Gross Operating Cash Flow	4,226	17,469	14,840	3,612	7,398	16,974	10,897
Operating Cash Flow	5,280	17,625	14,999	4,030	8,405	16,377	10,733
Free Cash Flow (excl. dividends)	1,628	10,717	7,859	2,105	3,040	7,976	6,543
Investing Cash Flow	(3,475)	(11,384)	8,035	(1,699)	(6,874)	(9,728)	(6,185)
Financing Cash Flow	(2,217)	(3,097)	(6,057)	(1,420)	(2,382)	(6,582)	(7,538)
Total Change in Cash Flow	185	826	775	911	(861)	(2,075)	(2,044)
Retained Cash Flow (CFO- Div.+ Equity Issued)	2,726	13,665	9,421	1,946	6,195	9,696	7,684
<b>Balance Sheet &amp; Capitalization</b>							
Cash & Equivalents	1,262	3,026	4,800	1,201	5,416	4,277	1,134
Other Deductions from Gross Debt	(2,599)	(2,162)	(827)	(121)	(258)	(6,655)	0
Total Cash and Financial Assets	(1,337)	5,188	5,627	1,322	5,674	10,932	1,134
Reported Gross Debt	12,527	43,447	39,885	12,325	44,794	54,188	33,437
Reported Net Debt	13,864	38,259	35,859	11,003	39,120	43,256	32,303
Minority Interest	23	3,115	3,598	0	730	2,331	1,685
Savings Shares (MM)	0	0	0	0	13,381	0	0
Market Price/Savings Share	0	0	0	0	€ 0.69	0	0
Shares (MM)	7,772	4,340	2,614	1,714	13,381	4,593	53,205
Market Price/Share	€0.83	€ 9.09	€ 17.07	€ 9.82	€ 0.91	€ 14.80	€ 1.20
Market Capitalization/Stockholders' Equity	6,474	39,429	44,627	16,835	21,376	67,970	63,819
Total Enterprise Value (TEV)	20,361	80,803	84,084	27,838	61,226	113,557	97,808
Property, Plant & Equipment	15,609	41,559	26,534	7,736	14,252	30,546	16,687

	BT Group	Deutsche Telekom	France Telecom	Royal KPN	Telecom Italia <sup>3</sup>	Telefonica <sup>2</sup>	Vodafone Group <sup>1</sup>
<b>Bond Ticker</b>	BRITEL	DT	FRTEL	KPN	TITIM	TELEFO	VOD
<b>Period</b>	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	30-Sep-08
<b>Ratios</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>	<b>LTM (€)</b>
TEV/Revenue	1.0x	1.3x	1.6x	1.9x	2.0x	2.0x	2.5x
<b>TEV/EBITDA</b>	<b>3.9x</b>	<b>4.2x</b>	<b>4.3x</b>	<b>5.5x</b>	<b>5.4x</b>	<b>5.0x</b>	<b>7.1x</b>
TEV/Free Cash Flow	12.5x	7.5x	10.7x	13.2x	20.1x	14.2x	14.9x
TEV/PPE	1.3x	1.9x	3.2x	3.6x	4.3x	3.7x	5.9x
Total Debt/Market Capitalization	193%	110%	89%	73%	210%	80%	52%
Total Debt/TEV	62%	54%	47%	44%	73%	48%	34%
<b>EBITDA/Total Interest</b> (EBITDA-Capex)/Total Interest	<b>8.1x</b> 3.3x	<b>6.7x</b> 4.3x	<b>7.0x</b> 4.4x	<b>7.2x</b> 4.5x	<b>4.3x</b> 2.3x	<b>8.2x</b> 5.2x	<b>7.0x</b> 4.9x
<b>Total Debt/EBITDA</b>	<b>2.4x</b>	<b>2.2x</b>	<b>2.1x</b>	<b>2.4x</b>	<b>3.9x</b>	<b>2.4x</b>	<b>2.4x</b>
Net Debt/EBITDA	2.6x	2.0x	1.8x	2.2x	3.4x	1.9x	2.3x
Total Debt/Free Cash Flow	7.7x	4.1x	5.1x	5.9x	14.7x	6.8x	5.1x
TEV/Access Lines	£786	€ 2,391	€ 1,836	€ 5,540	€ 3,057	€ 2,645	£55,415
Total Debt/Access Lines	£484	€ 1,285	€ 871	€ 2,453	€ 2,236	€ 1,262	£18,945
TEV/Wireless Subs	£49,420	€ 629,797	€ 690	€ 898	€ 860	€ 581	£338
Total Debt/Wireless Subs	£30,405	€ 338,636	€ 327	€ 398	€ 629	€ 277	£116
<b>Dollar Denominated Bonds</b>							
Coupon	9.125%	8.750%	8.500%	8.375%	7.200%	7.045%	6.150%
Maturity	12/15/2030	06/15/2030	03/01/2031	10/01/2030	07/18/2036	06/20/2036	02/27/2037
Face Amount (mn)	\$2,670	\$3,500	\$2,500	\$1,000	\$1,000	\$2,000	\$1,700
Ratings	Baa1/BBB+ /*-	Baa1/BBB+	A3/A-	Baa2/BBB+	Baa2/BBB	Baa1/A-	Baa1/A-
Spread to Treasury	645 bp	430 bp	265 bp	440 bp	570 bp	315 bp	305 bp
Z-Spread	593 bp	373 bp	203 bp	382 bp	511 bp	354 bp	343 bp
I-Spread	573 bp	358 bp	193 bp	368 bp	495 bp	342 bp	332 bp
Bid Price	100.446	120.121	141.617	114.865	87.926	103.056	93.135

1. Total debt pro forma to reflect new notes issued after 30-Sep-08 (Euro denominated notes were adjusted appropriately for FX). Wireless subscribers are as of 31-Dec-08. Total revenue is on an LTM basis as of 31-Dec-08. ISDN customers count is as of September 30, 2006.

2. Total debt pro forma for issue of €1,000 million of 5.496% senior notes in Mar-09.

3. Total debt pro forma for issue of an aggregate of €2,000 million of senior notes in Mar-09.

Source: J.P. Morgan & Company Reports

Thomas Egan, CFA  
(1-212) 270-2149  
thomas.j.egan@jpmorgan.com

North America Credit Research  
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J.P.Morgan

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