

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 66bp while the overall market tightened 48bp, on an I-spread basis.
- **Telecom High Yield: Wireline gains ground on overall Index.** The Wireline Telecom Index has gained significant traction during the first two months of 2009, generating a total year-to-date return of 13.31%, outperforming the overall J.P. Morgan Domestic High Yield Index, which generated a return of 6.84%. With a YTD return of 4.52%, the Wireless Telecom Index has moved to positive territory while still underperforming the overall index.
- **West Corp. reports mixed but in-line 4Q08; liquidity looking better.** West Corp's 4Q08 earnings were mixed but in line as weaker-than-expected results from the company's receivables management business (segment took \$32 million in write-downs related to the impairment of purchased receivables) were offset by better-than-expected results from WSTC's conferencing business. On the liquidity front, cash increased by \$60 million versus the prior quarter and stood at \$168 million. This coupled with \$86 million of revolver availability leaves the company with \$263 million of liquidity at the end of FY08. West Corp bonds jumped 10-15 points following the 4Q earnings release, and we believe that is partially due to in-line earnings, improved liquidity, and the company's FY09 financial guidance, which was at the higher end of most estimates on the Street. We also believe that management's indication that the company will focus on cash liquidity during the year by stating that acquisitions will not play a "significant" role in 2009 was deemed positive by the investment community. **Bottom Line:** While we are pleased to see management place a higher priority on liquidity preservation, we still believe the company will be more inclined to apply FCF toward future acquisitions vs. debt reduction or cash conservation. Therefore, we maintain our **Neutral** recommendation on the West Corp credit and **Hold** rating on WSTC paper.
- **Crown Castle issues \$900 million of new notes.** Crown Castle issued \$900 million of 9% senior unsecured notes due 2015 (proceeds from the issue were \$798 million). Net/net, this is virtually a leverage-neutral event for CCI as proceeds from the issue will likely be applied toward debt reduction including repayment of the company's \$290 million securitized mortgage loan due 2009, a portion of CCI's mortgage loan that is due in 2011, and borrowings on the revolving credit facility. Pro forma leverage through the 9% senior notes is approximately 7.3x as the new senior notes are structurally subordinated to CCI's existing securitized tower revenue mortgage loans as well as the company's bank debt.

Telecommunications

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See page 17 for analyst certification and important disclosures.

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- **Vodafone and Hutchison form a JV.** Honk-Kong based Hutchison Telecommunications has agreed to merge its Australian operations with Vodafone in a 50:50 JV. As part of the deal, Vodafone will get a deferred payment of A\$500 million (~US\$336 million) plus an ongoing brand loyalty fee of 1% of entity revenues. Bottom Line: Generally a slight positive for VOD and the industry as the newly formed in-market transaction eliminates a competitor, which should lead to improved margins.
- **FairPoint finds replacement for Lehman Brothers and gets green light to repurchase senior notes.** FairPoint amended its credit facility whereby the company replaced Lehman Commercial Paper with Bank of America as the administrative agent on its \$2 billion credit facility. The company also obtained an amendment that allows FairPoint to repurchase its 13.125% senior notes due 2018.
- **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. ¹	Centennial	Centennial ³	iPCS, Inc.	Leap Wireless ⁴	MetroPCS ⁵	Rogers Wireless ²
Bond ticker	AT	VZ/AT	CYCL	CYCL/T	IPCS	LEAP	GWIR	RCICN
Recommendation	NR	NR	NR	Neutral	NR	Neutral	NR	-
Period (LTM)	Sep-08	Sep-08	Nov-08	Dec-08	Sep-08	Sep-08	Sep-08	Sep-08
		<i>Pro forma for Verizon Acquisition</i>		<i>Pro forma for AT&T Acquisition</i>				
Operating statistics								
Covered POPs (mn)	79.4	na	12.6	na	12.4	61.7	61.0	32.3
Penetration	17.4%	na	8.7%	na	5.4%	6.2%	8.8%	24.0%
Total subscribers	13,824,973	85,880,973	1,099,200	78,082,300	674,400	3,845,140	5,366,833	7,744,000
Post-paid/total subscribers	na	na	97.5%	na	na	na	na	81.3%
Monthly (last quarter)								
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	\$48.31	\$42.95	\$40.42	na
Post-paid monthly ARPU w/ roaming	na	na	\$74 (US)	na	\$65.00	na	na	\$78.46
Last Twelve Months (LTM)								
Total gross adds	4,356,549	21,035,779	346,800	21,698,700	257,000	2,182,205	3,987,513	1,949,000
Total net adds	1,377,901	8,446,901	23,300	6,722,300	52,300	942,012	1,404,047	590,000
Post-paid/total Net Adds	na	na	na	100.1%	na	na	na	91.2%
Financial statistics (LTM \$mn)								
	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM
Service revenue	8,604	na	778	na	374	1,623	2,282	5,690
Roaming revenue	0	na	67	na	141	0	0	0
Equipment revenue	880	na	64	na	14	247	337	445
Total revenue	9,484	106,838	1,037	125,047	529	1,870	2,619	6,146
Cost of services	2,744	42,972	193	50,222	295	462	790	1,754
Cost of equipment	1,324	na	151	na	53	428	680	690
Gross profit	5,415	63,866	693	74,825	181	980	1,149	3,702
Gross margin	57%	60%	67%	60%	34%	52%	44%	60%
SG&A	1,972	27,748	293	30,487	95	545	407	860
SG&A/revenue	21%	26%	28%	24%	18%	29%	16%	14%
EBITDA	3,442	36,118	399	44,338	86	435	742	2,842
EBITDA margin	36%	34%	39%	35%	16%	23%	28%	46%
Total interest expense	1,703	3,522	184	3,574	35	143	197	242
Cash interest expense	1,703	3,522	177	3,574	35	179	196	242
Common stock dividends	0	5,227	0	9,665	0	0	0	0
Capital expenditures	938	18,219	138	19,814	67	688	809	871
Free Cash Flow (EBITDA-Cash Int.-Pref. Div.-Capex+Int. Income)	802	9,150	84	11,285	(15)	(432)	(237)	1,729
Balance sheet and capitalization								
Cash and equivalents	1,298	11,589	141	1,933	70	826	1,570	na
Restricted cash	0	0	0	0	0	5	0	na
Availability	1,500	na	150	na	0	200	100	2,335
Total liquidity	2,798	11,589	291	1,933	70	1,031	1,670	2,335
Senior secured debt (First Lien)	13,875	0	550	0	300	914	1,572	2,855
Senior secured debt (Second Lien)	0	0	0	0	175	0	0	0
Capital leases	0	0	81	0	0	0	27	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	424
Discount on debt/other	(443)	0	0	0	0	0	19	13
Total debt	23,432	79,634	2,015	83,450	475	2,582	3,568	3,292
Preferred stock	0	0	0	115	0	0	0	0
Minority interest	0	37,199	1	1	0	55	6	0
Shares (mn)	na	2,841	110	5,893	17	68	356	na
Market price/share	na	\$30.00	\$8.23	\$24.56	\$6.90	\$27.02	\$14.41	na
Market capitalization	4,183	85,230	904	144,732	118	1,839	5,128	na
Total enterprise value (TEV)	26,318	190,474	2,780	226,365	524	3,645	7,132	na
Net PP&E	4,990	90,536	565	99,653	160	1,662	2,514	na

	ALLTEL Corp.	ALLTEL Corp. ¹	Centennial	Centennial ³	iPCS, Inc.	Leap Wireless ⁴	MetroPCS ⁵	Rogers Wireless ²
Bond ticker	AT	VZ/AT	CYCL	CYCL/T	IPCS	LEAP	GWIR	RCICN
Period (LTM)	Sep-08	Sep-08	Nov-08	Dec-08	Sep-08	Sep-08	Sep-08	Sep-08
Ratios	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM
TEV/Revenue	2.8x	1.8x	2.7x	na	1.0x	1.9x	2.7x	na
TEV/EBITDA	7.6x	5.3x	7.0x	na	6.1x	8.4x	9.6x	na
TEV/Free Cash Flow	32.8x	20.8x	32.9x	na	na	na	na	na
TEV/PPE	na	na	na	na	3.3x	2.2x	2.8x	na
Sr sec debt/total debt	59%	0%	31%	0%	100%	35%	45%	87%
Total Debt/Market Capitalization	560%	93%	223%	na	402%	140%	70%	na
Total Debt/TEV	89%	42%	72%	na	91%	71%	50%	na
EBITDA/total interest	2.0x	10.3x	2.2x	12.4x	2.5x	3.0x	3.8x	11.7x
EBITDA/cash interest	2.0x	10.3x	2.3x	12.4x	2.5x	2.4x	3.8x	11.7x
Sr sec debt/EBITDA	4.0x	0.0x	1.6x	0.0x	5.5x	2.1x	2.2x	1.0x
Senior debt/EBITDA	6.9x	2.2x	5.0x	1.9x	5.5x	5.4x	4.8x	1.0x
Total debt/EBITDA	6.8x	2.2x	5.0x	1.9x	5.5x	5.9x	4.8x	1.2x
Total debt+pref./EBITDA	6.8x	2.2x	5.0x	1.9x	5.5x	5.9x	4.8x	1.2x
Net debt/EBITDA	6.4x	1.9x	4.7x	1.8x	4.7x	4.0x	2.7x	na
Net debt+pref./EBITDA	6.4x	1.9x	4.7x	1.8x	4.7x	4.0x	2.7x	na
Total debt/Free Cash Flow	29.2x	8.7x	23.9x	7.4x	na	na	na	1.9x
TEV/subs	\$1,904	\$2,218	\$2,529	na	\$777	\$948	\$1,329	na
Debt/subs	\$1,695	\$927	\$1,833	\$1,069	\$705	\$672	\$665	\$425
TEV/covered POP	\$332	na	\$221	na	\$42	\$59	\$117	na
Debt/covered POP	\$295	na	\$160	na	\$38	\$42	\$58	\$102
Senior notes/OpCo								
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		104.50	104.25		73.000	94.750	96.500	103.50
YTW		5.52%	7.12%		11.42%	10.62%	10.06%	5.57%
STW		373 bp	626 bp		-	883 bp	827 bp	378 bp
Z-Spread		348 bp	573 bp		-	809 bp	753 bp	312 bp
Senior Subordinated notes/HoldCo								
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			107.00		60.000	96.00		101.00
YTW			7.22%		15.77%	10.88%		7.40%
STW			593 bp		-	909 bp		610 bp
Z-Spread			557 bp		-	826 bp		573 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 subscribers, LTM net adds, and churn reflect preliminary 4Q08 results released on 7-Jan-09.

5. 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. Operating stats except ARPU reflect preliminary 4Q08 results released on 6-Jan-09.

Source: J.P. Morgan and Company Reports

Towers

(\$ mn)	American Tower ¹	SpectraSite ¹	American Tower ³	Crown Castle ²	Global Signal	Crown Castle ⁵	SBA Comm. ⁴
Bond Ticker	AMT	SSI	AMT	CCI	GSL	CCI	SBAC
Recommendation	Overweight	NR	Overweight	NR	NR	NR	NR
Period	31-Dec-06	31-Dec-06	30-Sep-08	31-Dec-06	30-Sep-06	30-Sep-08	30-Sep-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
Total Towers	14,512	7,965	23,358	12,912	11,000	24,071	7,484
Financial Statistics (LTM \$ mn)	LTM	LTM	LTM	LTM	LTM	LTM	LTM
Rental Rev	868	449	1,523	697	472	1,385	368
Network Development Rev	NA	NA	40	91	NA	125	81
Total Rev	868	449	1,563	788	472	1,510	449
Cost of Services	203	134	385	273	188	497	165
Gross Profit	665	315	1,179	515	284	1,013	285
Gross Margin	77%	70%	75%	65%	60%	67%	63%
SG&A	94	45	181	88	47	162	37
SG&A/Revenue	11%	10%	12%	11%	10%	11%	8%
Other Income (expense)	14	0	0	0	0	0	0
EBITDA	585	271	1,066	427	237	851	248
<i>EBITDA Margin</i>	<i>67%</i>	<i>60%</i>	<i>68%</i>	<i>54%</i>	<i>50%</i>	<i>56%</i>	<i>55%</i>
Total Interest	175	41	256	162	95	356	97
Cash Interest	164	40	234	155	95	338	97
Capital Expenditures	92	36	213	125	21	451	34
Free Cash Flow (EBITDA-Cash Int.-Capex)	330	195	619	148	121	62	116
Balance Sheet & Capitalization							
Cash	181	100	116	593	124	221	292
Restricted Cash	0	0	51	116	31	170	37
Availability	282	245	500	250	0	175	60
Liquidity	464	345	667	958	155	566	388
Secured Debt	325	0	1,750	3,514	1,844	4,798	1,490
Bank Debt	1,000	0	1,075	600	0	640	372
Other Debt	60	0	61	0	1	0	0
OpCo Notes	0	0	0	0	0	0	688
HoldCo Senior Notes	1,433	725	1,470	0	0	798	0
Total Debt	2,818	725	4,356	4,114	1,844	6,236	2,550
Preferred Stock	0	0	0	313	0	314	0
Minority Interests	0	0	3	29	0	0	0
Stock Price	\$28.91	na	\$28.91	\$18.98	na	\$18.98	\$20.33
Shares	417	na	417	183	70	284	111
Market Value of Equity	12,042	na	12,042	3,475	na	5,382	2,253
Total Enterprise Value	14,679	na	16,234	7,222	na	11,541	4,474
Net PP&E	na	na	3,014	3,246	1,661	5,060	1,436

	American Tower ¹	SpectraSite ¹	American Tower	Crown Castle ²	Global Signal	Crown Castle ⁵	SBA Comm. ⁴
Bond Ticker	AMT	SSI	AMT	CCI	GSL	CCI	SBAC
Period	31-Dec-06	31-Dec-06	30-Sep-08	31-Dec-06	30-Sep-06	30-Sep-08	30-Sep-08
<u>Ratios</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>
EBITDA/Total Interest	3.3x	6.7x	4.2x	2.6x	2.5x	2.4x	2.6x
EBITDA/Cash Interest	3.6x	6.7x	4.5x	2.8x	2.5x	2.5x	2.6x
Securitized Debt/ EBITDA	0.6x	0.0x	1.6x	8.2x	7.8x	5.6x	6.0x
OpCo Debt/ EBITDA	2.4x	0.0x	2.7x	9.6x	7.8x	6.4x	10.3x
Total Debt/EBITDA	4.8x	2.7x	4.1x	9.6x	7.8x	7.3x	10.3x
Net Debt/EBITDA	4.5x	2.3x	3.9x	8.0x	7.1x	6.9x	9.0x
Total Debt + Pref./EBITDA	4.8x	2.7x	4.1x	10.4x	7.8x	7.7x	10.3x
Net Debt + Pref./EBITDA	4.5x	2.3x	3.9x	8.7x	7.1x	7.2x	9.0x
Total Debt/Free Cash Flow	8.5x	3.7x	7.0x	27.8x	15.3x	100.7x	na
Total Enterprise Value/Revenue	16.9x	na	10.4x	9.2x	na	7.6x	10.0x
Total Enterprise Value/EBITDA	25.1x	na	15.2x	16.9x	na	13.6x	18.0x
Total Enterprise Value/FCF	44.4x	na	26.2x	48.8x	na	186.4x	na
Total Enterprise Value/Net PP&E	na	na	5.4x	2.2x	na	2.3x	na
Bank debt/Total debt	35%	0%	25%	15%	0%	10%	15%
Total Debt/Market Capitalization	23%	na	36%	118%	na	116%	113%
Total Debt/TEV	19%	na	27%	57%	na	54%	57%
Total Debt/Total Towers	na	na	\$186,480	\$318,610	\$454,273	\$259,067	\$340,727
TEV/Total Towers	na	na	\$695,024	\$559,335	na	\$479,461	\$597,777
<u>Senior Notes/ OpCo</u>							
Coupon	7.000%		7.000%			9.000%	
Maturity	10/15/2017		10/15/2017			01/15/2015	
Face Amount (mn)	\$500		\$500			\$900	
Ratings	Ba1/BB+		Ba1/BB+			B1/B	
Bid Price	99.50		99.50			97.50	
YTW	7.08%		7.08%			9.56%	
STW	426 bp		426 bp			777 bp	
Z-Spread	417 bp		417 bp			699 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. Pro forma to reflect (a) \$50 million drawdown on revolving credit facility; and (b) exchange of \$124.6 million of 3.0% convertible notes into 6.1 million shares of company's Class A common stock in October 2008.
 4. Total debt and cash pro forma for \$65.5 million and \$212 million reduction in debt outstanding under the CMBS certificates and 0.375% senior convertible notes, respectively, in 4Q08. SBAC funded the debt reduction partially with \$148 million in cash and with proceeds from issuance of common stock.
 5. Pro forma for CCI's issue of 9% senior unsec. notes due 2015. Assume proceeds of \$797.5 million from the issue are applied toward: full repayment of the company's revolver (\$160mn) and Securitized Mortgage loan due 2009 (\$290mn) as well as \$200 million reduction on CCI \$1.5bn Securitized Mortgage Loan due 2011.
- Source: J.P. Morgan and Company Reports

Incumbent Local Exchange Carriers

(\$ mn)	Alaska Communications Systems Group ²	Cincinnati Bell	Frontier Comm.	FairPoint Comm. ¹	Hawaiian Telcom	Qwest Comm. International Inc. ³	Qwest Corp. ⁴	Windstream
Bond Ticker	ALSK	CBB	FTR	FPR	HWTEL	OUS	OUS	WIN
Recommendation	NR	Overweight	Overweight	NR	Underweight	Neutral	Neutral	NR
Period	30-Sep-2008	31-Dec-2008	30-Sep-2008	30-Sep-2008	30-Sep-2008	31-Dec-2008	30-Sep-2008	31-Dec-2008
Region	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
Owners & Investors	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%)
Businesses (% Last Quarter Revs)	Wireless (393%) Access (23%) Retail (23%) Enterprise (9%) Wholesale (5%)	Local (55%) Wireless (22%) Tech. Solutions (25%)	Local (38%) Data (28%) Access (18%) Long Distance (8%) Directory (5%) Other (3%)	Local (41%) Inter&Intra St Access (24%) Long Distance (15%) Data & Internet (10%) Other (3%) USF (2%)	Local (43%) Network Access (31%) DSL and Internet (7%) LD Services (8%) Other (12%)	Voice (52%) Data/Internet/Video (42%) Wireless (3%) Other (3%)	Voice (50%) Data/Internet/Video (32%) Affiliate (17%) Other (2%)	Voice (38%) Data/special access (25%) Switched access/USF (18%) Long distance (9%) Other (10%)
Operating Statistics								
Access Lines	215,976	779,700	2,296,460	1,768,528	524,201	11,565,000	11,565,000	3,037,800
Access Lines (Y/Y)	-7%	-7%	-7%	-9%	-9%	-10%	-9%	-5%
DSL Lines	47,639	233,200	571,946	294,134	95,025	2,847,000	2,793,000	978,800
DSL Lines (Y/Y)	3%	5%	15%	2%	2.4%	9%	11%	12%
Dial-Up Subscribers	7,394	na	na	1,474,394	na	na	na	na
Long-Distance Subscribers	64,692	531,600	na	643,844	253,302	4,810,000	4,810,000	2,006,700
Wireless Subscribers	150,533	550,600	na	na	13,500	717,000	na	na
Financial Statistics (LTM \$ mn)	LTM	LTM	LTM	LQA	LTM	LTM	LTM	LTM
Revenues	403	1,403	2,266	1,313	456	13,475	10,252	3,172
Cost of Services	na	640	234	610	179	4,572	1,828	1,144
Gross Profit	na	763	2,033	703	277	8,903	8,424	2,027
Gross Margin	na	54%	90%	54%	61%	66%	82%	64%
SG&A	na	285	801	419	176	4,377	3,496	381
SG&A/Revenue	na	20%	35%	32%	39%	32%	34%	12%
EBITDA	136	478	1,232	600	131	4,526	4,928	1,638
EBITDA Margin	34%	34%	54%	46%	29%	34%	48%	52%
Total Interest Expense	30	140	365	199	92	1,021	599	416
Cash Interest Expense	31	140	372	199	97	1,021	599	416
Capital Expenditures	130	231	317	290	87	1,757	1,422	318
Capex/Revenue	32%	16%	14%	22%	19%	13%	14%	10%
Common Stock Div (forward 12 months)	38	0	313	142	0	0	0	437
Free Cash Flow (EBITDA-Cash Int.-Capex-Min Int-Forward Dividends)	(63)	113	230	(31)	(53)	1,748	2,907	466
Balance Sheet & Capitalization								
Cash & Equivalents	26	7	91	168	78	326	289	297
Restricted Cash	57	0	0	10	0	0	0	0
Availability	45	323	250	67	0	850	0	356
Total Liquidity	129	330	341	245	78	1,176	289	653
OpCo Unsecured Debt	0	230	0	0	0	7,567	0	0
Senior Secured Debt	426	330	0	1,930	575	0	0	2,363.0
Capital Leases	6	56	0	10	0	0	47	0.0
Other Debt	0	75	0	0	0	0	0	0.0
Senior Debt	125	697	4,749	540	350	1,771	7,520	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	4,082	0	0.0
Subordinated Debt	0	0	0	0	0	0	0	0.0
Unamortized Discount	0	0	0	0	0	0	0	(26.5)
Total Debt	557	1,961	4,749	2,480	1,075	13,420	7,567	5,382.5
Preferred Stock	0	129	0	0	0	0	0	0
Minority Interest	0	0	0	0	0	0	0	0
Shares (MM)	44	239	313	89	na	1,705	na	437
Market Price/Share	\$8.08	\$1.65	\$8.08	\$2.54	na	\$3.45	na	\$8.57
Market Capitalization/Stockholders' Equity	359	395	2,529	226	83	5,881	na	3,746
Total Enterprise Value (TEV)	832	2,479	7,187	2,528	1,080	18,975	na	8,832
Net PP&E	428	1,003	3,251	1,924	756	13,301	11,691	3,897

	Alaska Communications Systems Group ²	Cincinnati Bell	Frontier Comm.	FairPoint Comm. ¹	Hawaiian Telcom	Qwest Comm. International Inc. ³	Qwest Corp. ⁴	Windstream
Bond Ticker	ALSK	CBB	FTR	FPR	HWTEL	QUS	QUS	WIN
Period	30-Sep-08	31-Dec-08	30-Sep-08	30-Sep-08	30-Sep-08	31-Dec-08	30-Sep-08	31-Dec-08
<u>Ratios</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>	<u>LOA</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>
TEV/Revenue	2.1x	1.8x	3.2x	1.9x	2.4x	1.4x	na	2.8x
TEV/EBITDA	6.1x	5.2x	5.8x	4.2x	NM	4.2x	na	5.4x
TEV/Free Cash Flow	NM	22.0x	31.2x	NM	NM	10.9x	na	19.0x
TEV/PPE	1.9x	2.5x	2.2x	na	1.4x	1.4x	na	2.3x
Sr Sec Debt/Total Debt	78%	20%	0%	78%	53%	0%	1%	44%
Total Debt/Market Capitalization	155%	497%	188%	1097%	1290%	228%	na	144%
Total Debt/TEV	67%	79%	66%	98%	99%	71%	na	61%
EBITDA/Total Interest	4.5x	3.4x	3.4x	3.0x	1.4x	4.4x	8.2x	3.9x
EBITDA/Cash Interest	4.4x	3.4x	3.3x	3.0x	1.3x	4.4x	8.2x	3.9x
OpCo Unsecured Debt/EBITDA	0.9x	0.5x	0.0x	0.0x	0.0x	1.7x	0.0x	0.0x
Sr Sec Debt/EBITDA	3.2x	1.3x	0.0x	3.2x	4.4x	1.7x	0.0x	1.4x
Senior Debt/EBITDA	4.1x	2.9x	3.9x	4.1x	7.1x	2.1x	1.5x	3.3x
Total Debt/EBITDA	4.1x	4.1x	3.9x	4.1x	8.2x	3.0x	1.5x	3.3x
Total Debt+Pref./EBITDA	4.1x	4.4x	3.9x	4.1x	8.2x	3.0x	1.5x	3.3x
Net Debt/EBITDA	3.5x	4.1x	3.8x	3.8x	7.6x	2.9x	1.5x	3.1x
Net Debt+Pref./EBITDA	3.5x	4.4x	3.8x	3.8x	7.6x	2.9x	1.5x	3.1x
Total Debt/Free Cash Flow	NM	17.4x	20.6x	NM	NM	7.7x	2.6x	11.6x
TEV/Access Lines	\$3,853	\$3,179	\$3,130	\$1,429	\$2,060	\$1,641	na	\$2,907
Total Debt/Access Lines	\$2,578	\$2,515	\$2,068	\$1,403	\$2,050	\$1,160	\$654	\$1,772
<u>Senior Notes/OpCo</u>								
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		96.00	94.75	54.00	5.00	85.50	98.75	89.00
YTW		8.35%	7.83%	26.81%	168.14%	11.38%	9.35%	8.66%
STW		705 bp	604 bp	2502 bp	16685 bp	1008 bp	756 bp	584 bp
Z-Spread		605 bp	563 bp	2414 bp	N.A.	896 bp	739 bp	566 bp
Leverage @ Bond Issue Level		2.9x	3.9x	4.1x	7.1x	2.1x	1.5x	3.3x
<u>Senior Subordinated Notes/HoldCo</u>								
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		92.63			0.75	93.50		
YTW		10.32%			821.99%	10.95%		
STW		853 bp			82069 bp	965 bp		
Z-Spread		792 bp			N.A.	933 bp		
Leverage @ Bond Issue Level		4.1x			8.2x	3.0x		

1. Capex is presented on an LTM basis and is pro forma to reflect FairPoint's merger with Verizon's Northern New England business on 31-Mar-08.
2. Income statement pro forma for acquisition of Crest Communications Corp for \$70 million, which closed on 30-Oct-08.
3. Total debt and cash pro forma for the calling of \$239mm of QCII L+350bp floating rate senior notes due 2009 in Jan-09. Long-distance subscribers as of 31-Dec-07.
4. Total debt is stated as of 31-Dec-08.
Source: J.P. Morgan & Company Reports

Long-Haul & Competitive Local Exchange Carriers

(\$ mn)	AT&T Corp. ¹	General Comm	Level 3 ⁴	PAETEC ²	Primus	tw telecom	West Corporation ³
Bond Ticker	T	GNCMA	LVLTL	PAET	PRTL	TWTC	WSTC
Recommendation	NR	NR	Overweight	NR	NR	Neutral	Neutral
Period	31-Dec-2005	30-Sep-2008	30-Sep-2008	30-Sep-2008	30-Sep-2008	31-Dec-2008	31-Dec-2008
Description	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.
Owners & Investors	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
Markets (% of Last Quarter Revs)	Long-Distance Voice (42%) Data (39%) Voice (13%) Other (7%)	Consumer (44%) Commercial (26%) Network Access (20%) Managed Broadband (7%) Regulated Operations (4%)	Core Communications (90%) SBC Contract Serv. (5%) Other Communications (6%)	Network Services (79%) Carrier Services (17%) 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%)
Financial Statistics (LTM \$ mn)	LTM	LTM	LTM	LOA	LTM	LTM	LOA
Revenues	26,763	560	4,352	1,624	918	1,159	2,287
Cost of Services	15,404	200	1,838	814	567	491	1,035
Gross Profit	11,359	360	2,514	811	352	668	1,252
Gross Margin	42%	64%	58%	50%	38%	58%	55%
SG&A	5,261	195	1,551	580	284	269	894
SG&A/Revenue	20%	35%	36%	36%	31%	23%	39%
EBITDA	6,097	165	939	231	68	399	678
EBITDA Margin	23%	30%	22%	14%	7%	34%	30%
Total Interest Expense	704	43	536	73	57	77	380
Cash Interest Expense	704	43	516	70	56	77	380
Capital Expenditures	1,416	228	495	125	36	275	110
Capex/Revenue	5%	41%	11%	8%	4%	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	(105)	(72)	35	(24)	48	188
Balance Sheet & Capitalization							
Cash & Equivalents	2,837	32	522	122	48	352	168
Restricted Cash	0	0	127	0	0	0	9
Availability	500	106	0	0	0	100	86
Total Liquidity	3,337	138	649	122	48	452	263
Senior Secured Debt	0	460	1,400	626	338	588	2,758
OpCo Unsecured Debt	0	0	2,816	0	0	400	0
Capital Leases	0	97	36	6	11	0	0
Other Debt	1,742	0	69	0	3	0	89
Senior Debt	5,940	257	1,784	300	260	374	650
Subordinated Debt	0	0	489	0	8	0	450
Total Debt	7,682	814	6,594	933	615	1,373	3,946
Preferred Stock	0	0	0	0	0	0	1,158
Minority Interest	0	0	0	0	0	0	4
Shares (MM)	na	53	1,589	146	143	148	na
Market Price/Share	na	\$6.35	\$1.00	\$1.36	\$0.05	\$8.92	na
Market Capitalization/Stockholders' Equity	na	339	1,589	198	6	1,322	(2,313)
Total Enterprise Value (TEV)	na	1,120	7,534	1,009	573	2,343	2,617
Net PP&E	10,845	844	6,354	680	134	1,307	320

	AT&T Corp. ¹	General Comm	Level 3 ⁴	PAETEC ²	Primus	Time Warner Telecom	West Corporation ³
Bond Ticker	T	GNCMA	LVLTL	PAET	PRTL	TWTC	WSTC
Period	31-Dec-05	30-Sep-08	30-Sep-08	30-Sep-08	30-Sep-08	31-Dec-08	31-Dec-08
Ratios	<u>LTM</u>	<u>LTM</u>	<u>LTM</u>	<u>LOA</u>	<u>LTM</u>	<u>LTM</u>	<u>LOA</u>
TEV/Revenue	na	2.0x	1.7x	0.6x	0.6x	2.0x	1.1x
TEV/EBITDA	na	6.8x	8.0x	4.4x	8.5x	5.9x	3.9x
TEV/Free Cash Flow	na	NM	NM	28.4x	NM	49.3x	13.9x
TEV/PPE	na	1.3x	1.2x	1.5x	4.3x	1.8x	8.2x
Sr Sec Debt/Total Debt	0%	68%	64%	68%	56%	73%	70%
Total Debt/Market Capitalization	na	240%	415%	471%	9575%	104%	na
Total Debt/TEV	na	73%	88%	92%	107%	59%	151%
EBITDA/Total Interest	8.7x	3.9x	1.8x	3.2x	1.2x	5.2x	1.8x
EBITDA/Cash Interest	8.7x	3.9x	1.8x	3.3x	1.2x	5.2x	1.8x
Sr Sec Debt/EBITDA	0.0x	2.8x	1.5x	2.7x	5.0x	1.5x	4.1x
OpCo Unsecured Debt/EBITDA	0.0x	3.4x	4.5x	2.7x	5.1x	2.5x	4.1x
Senior Debt/EBITDA	1.3x	4.9x	6.5x	4.0x	9.0x	3.4x	5.0x
Senior Subordinated Debt/EBITDA	1.3x	4.9x	7.0x	4.0x	9.1x	3.4x	5.7x
Total Debt/EBITDA	1.3x	4.9x	7.0x	4.0x	9.1x	3.4x	5.8x
Total Debt+Pref./EBITDA	1.3x	4.9x	7.0x	4.0x	9.1x	3.4x	7.5x
Net Debt/EBITDA	0.8x	4.7x	6.3x	3.5x	8.4x	2.6x	5.6x
Net Debt+Pref./EBITDA	0.8x	4.7x	6.3x	3.5x	8.4x	2.6x	7.3x
Total Debt/Free Cash Flow	1.9x	NM	NM	26.3x	NM	28.9x	20.9x
<u>Senior Notes/OpCo</u>							
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+	C/NR	B3/CCC+	Caa1/B-
Bid Price	108.23	86.00	76.50	63.75	10.56	95.00	73.00
YTW	4.11%	10.96%	21.09%	19.68%	93.46%	10.56%	17.11%
STW	232 bp	917 bp	1,979 bp	1,788 bp	9,166 bp	927 bp	1,532 bp
Z-Spread	225 bp	854 bp	1,979 bp	1,788 bp	9,129 bp	816 bp	1,462 bp
Leverage @ Bond Issue	1.3x	4.9x	4.5x	4.0x	9.0x	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 debt and cash pro forma to reflect full \$50 million drawdown on company's revolving credit facility on 15-Oct-08. 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.

4. Total debt and cash pro forma for Level 3's tender offers for approximately \$461 million of the company's short-dated convertible notes due 2009-2010 with proceeds from cash and \$400 million newly issued 15% senior convertible notes due 2013.

Source: J.P. Morgan & Company Reports

High Grade Domestic Telecom

(\$ mn)	AT&T Inc.	BellSouth ¹	Cingular	AT&T Consolidated ²	CenturyTel	Embarq	CTL & EQ ⁵	Sprint Nextel ³	Verizon ⁴	Verizon Wireless
Bond Ticker	T	BLS	CNG	T	CTL	EO	Pro forma ⁵	S	VZ	VZW
Recommendation	NEUTRAL	NEUTRAL	NEUTRAL	NEUTRAL	NR	NR		NEUTRAL	NEUTRAL	NR
Period	31-Dec-2006	31-Dec-2006	31-Dec-2006	31-Dec-2008	30-Sep-2008	30-Sep-2008	30-Sep-2008	30-Sep-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>
Owners & Investors	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%
Businesses (% LQ Revs)	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 (22%) Product (10%) Wireless/Other (5%)		Wireless (85%) Wireline (15%)	Wireline (48%) Domestic Wireless (52%)	Service (86%) Equipment (14%)
Wireline Statistics										
Access Lines	46,307,000	18,755,000	na	55,610,000	2,041,000	5,853,000	7,894,000	na	36,161,000	na
Access Lines (Y/Y)	-6%	-6%	na	-10%	-6%	-9%	-8%	na	-9%	na
DSL Lines	8,529,000	3,632,000	na	15,077,000	628,000	1,388,000	2,016,000	na	8,673,000	na
DSL Lines (Y/Y)	23%	26%	na	7%	19%	37%	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
Wireless Statistics										
Wireless Subscribers	na	na	60,962,000	78,082,300	na	92,000	92,000	37,783,000	85,880,973	85,880,973
Post-paid monthly churn	na	na	1.5%	1.6%	na	na	na	-8.8%	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	-3,651,000	8,446,901	8,446,901
Financial Statistics (LTM \$ mn)										
	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM
Revenues	63,174	20,751	37,506	125,047	2,614	6,222	8,836	37,052	106,838	47,929
Cost of Services	27,428	7,843	14,827	50,222	957	2,080	3,037	16,861	42,972	15,120
Gross Profit	35,746	12,908	22,679	74,825	1,657	4,142	5,799	20,191	63,866	32,809
Gross Margin	57%	62%	60%	60%	63%	67%	66%	54%	60%	68%
SG&A	15,109	3,779	11,324	30,487	389	1,485	1,874	11,807	27,748	14,327
SG&A/Revenue	24%	18%	30%	24%	15%	24%	21%	32%	26%	30%
EBITDA	20,637	9,129	11,355	44,338	1,246	2,598	3,844	8,384	36,118	18,482
EBITDA Margin	33%	44%	30%	35%	48%	42%	44%	23%	34%	39%
Total Interest Expense	1,843	1,120	1,186	3,574	202	409	611	1,363	3,522	na
Cash Interest Expense	1,843	1,120	1,186	3,574	202	409	611	1,363	3,522	na
Capital Expenditures	8,320	3,524	7,039	19,814	327	779	1,106	4,754	18,219	5,295
Capex/Revenue	13%	17%	19%	16%	13%	13%	13%	13%	17%	11%
Common Stock Div (annualized)	6,414	2,116	0	9,665	280	391	671	0	5,227	0
Free Cash Flow (EBITDA-Cash Int.-Capex-Dividends)	4,060	2,369	3,130	11,285	437	1,019	1,456	2,267	9,150	13,187
Balance Sheet & Capitalization										
Cash & Equivalents	2,418	na	512	1,933	259	83	342	3,116	11,589	na
Restricted Cash	0	na	0	0	0	0	0	0	0	0
Total Cash & Equivalents	2,418	na	512	1,933	259	83	342	3,116	11,589	na
Total Debt	60,906	na	21,602	83,450	3,345	5,840	9,185	21,640	79,634	na
Net Debt	58,488	na	21,090	81,517	3,086	5,757	8,843	18,524	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	112	144	256	2,855	2,841	0
Market Price/Share	\$24.56	na	na	\$24.56	\$26.78	\$35.33	-	\$2.18	\$30.00	na
Market Capitalization	96,054	na	na	144,732	3,005	5,088	8,093	6,224	85,230	na
Total Enterprise Value (TEV)	154,542	na	na	226,249	6,092	10,845	16,936	24,748	190,474	na
Net PP&E	95,446	na	19,687	99,653	2,915	7,508	10,423	24,773	90,536	na

	AT&T Inc.	BellSouth ¹	Cingular	AT&T Consolidated ²	CenturyTel	Embarq	CTL & EQ ⁵	Sprint Nextel ³	Verizon ⁴	Verizon Wireless
Bond Ticker	T	BLS	CNG	T	CTL	EQ	Pro forma ⁵	S	VZ	VZW
Period	31-Dec-06	31-Dec-06	31-Dec-06	31-Dec-08	30-Sep-08	30-Sep-08	30-Sep-08	30-Sep-08	31-Dec-08	31-Dec-08
Ratios	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM	LTM
TEV/Revenue	2.4x	na	na	1.8x	2.3x	1.7x	1.9x	0.7x	1.8x	na
TEV/EBITDA	7.5x	na	na	5.1x	4.9x	4.2x	4.4x	3.0x	5.3x	na
TEV/Free Cash Flow	38.1x	na	na	20.0x	14.0x	10.6x	11.6x	10.9x	20.8x	na
TEV/PPE	1.6x	na	na	2.3x	2.1x	1.4x	1.6x	1.0x	2.1x	na
Total Debt/Market Capitalization	63%	na	na	58%	111%	115%	113%	348%	93%	na
Total Debt/TEV	39%	na	na	37%	55%	54%	54%	87%	42%	na
EBITDA/Total Interest	11.2x	8.2x	9.6x	12.4x	6.2x	6.4x	6.3x	6.2x	10.3x	na
EBITDA/Cash Interest	11.2x	8.2x	9.6x	12.4x	6.2x	6.4x	6.3x	6.2x	10.3x	na
Total Debt/EBITDA	3.0x	na	1.9x	1.9x	2.7x	2.2x	2.4x	2.6x	2.2x	na
Total Debt+Pref./EBITDA	3.0x	na	1.9x	1.9x	2.7x	2.2x	2.4x	2.6x	2.2x	na
Net Debt/EBITDA	2.8x	na	1.9x	1.8x	2.5x	2.2x	2.3x	2.2x	1.9x	na
Net Debt+Pref./EBITDA	2.8x	na	1.9x	1.8x	2.5x	2.2x	2.3x	2.2x	1.9x	na
Total Debt/Free Cash Flow	15.0x	na	6.9x	7.4x	7.7x	5.7x	6.3x	9.5x	8.7x	na
TEV/Access Lines	\$3,337	na	na	\$4,068	\$2,985	\$1,853	\$2,145	na	\$5,267	na
Total Debt/Access Lines	\$1,315	na	na	\$1,501	\$1,639	\$998	\$1,164	na	\$2,202	na
TEV/Wireless Subs	na	na	na	\$2,898	na	na	na	\$655	\$2,218	na
Total Debt/Wireless Subs	na	na	\$354	\$1,069	na	na	na	\$573	\$927	na
Senior Notes										
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	322 bp	273 bp	258 bp	275 bp	588 bp	708 bp		950 bp	330 bp	325 bp
Z-Spread	245 bp	197 bp	237 bp	260 bp	583 bp	611 bp		934 bp	315 bp	310 bp
I-Spread	242 bp	193 bp	235 bp	255 bp	576 bp	602 bp		921 bp	305 bp	299 bp
Bid Price	100.45	103.304	111.154	99.551	84.5	90.5		69	119.084	117.728

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. Balance sheet pro forma to reflect \$1bn reduction in borrowing on the company's revolving credit facility in Nov-08.

4. 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.

5. 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.

Source: J.P. Morgan & Company Reports

High Grade European Telecom

(Currency mn)	BT Group	Deutsche Telekom ²	France Telecom ³	Royal KPN	Telecom Italia	Telefonica	Vodafone Group ¹
Bond Ticker	BRITEL	DT	FRTEL	KPN	TITIM	TELEFO	VOD
Recommendation	NR	NR	NR	NR	NR	NR	NR
Period	30-Sep-2008	30-Sep-2008	30-Jun-2008	31-Dec-2008	30-Sep-2008	30-Sep-2008	30-Sep-2008
Reported Currency	Pounds (£)	Euros (€)	Euros (€)	Euros (€)	Euros (€)	Euros (€)	Pounds (£)
Owners & Investors	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
Businesses (% Last Period Revs)	Major Corporate (39%) Wholesale/Carrier (25%) Consumer (23%) Business (13%)	T-Mobile (57%) Broadband/Fixedline (28%) Business Customers (13%) 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 (36%) O2 Europe (25%) Other (1%)	Mobile Voice (68%) Messaging (11%) Fixed Line (6%) Data (7%) Other (8%)
Operating Statistics							
Telephone/ Fixed/ Access Lines (Co. Defined)	26,312,000	49,400,000	45,185,000	5,025,000	20,539,000	43,243,000	1,765,000
Access Lines (YYY)	-4%	-1%	-1%	-7%	-10%	2.7%	na
Broadband Connections	8,196,000	14,800,000	12,394,000	2,536,000	10,934,000	12,028,000	2,900,000
Broadband Connections (YYY)	-3%	11%	8%	0.3%	2%	25%	26%
Wireless Subscribers	401,000	126,700	117,604,000	30,996,000	70,480,000	188,930,000	289,000,000
Financial Statistics (LTM mn)	LTM (€)	LTM (€)	LTM (€)	LTM (€)	LTM (€)	LTM (€)	LTM (€)
Revenues	21,056	61,352	53,392	14,602	30,872	57,568	39,693
EBITDA	5,715	20,108	18,968	5,058	10,806	21,603	13,856
EBITDA Margin	27%	33%	36%	35%	35%	38%	35%
Interest	598	3,387	3,073	704	2,202	2,848	1,978
Capital Expenditures	3,184	6,899	7,474	1,925	5,799	8,406	4,190
Capex/Revenue	15%	11%	14%	13%	19%	15%	11%
Common Stock Div (annualized)	1,363	3,402	1,569	1,371	2,288	4,626	4,487
EBITDA- Interest- Capex- Dividends	570	6,420	6,852	1,058	517	5,723	3,201
Cash Flow Summary							
Gross Operating Cash Flow	4,711	17,676	15,026	3,612	7,373	27,997	10,897
Operating Cash Flow	5,220	17,115	15,318	4,030	7,887	25,853	10,733
Free Cash Flow (excl. dividends)	1,548	10,216	7,893	2,105	2,088	17,447	6,543
Investing Cash Flow	(2,516)	(13,532)	(7,401)	(1,699)	(4,741)	(2,363)	(6,185)
Financing Cash Flow	(2,822)	(5,755)	(7,233)	(1,420)	(2,089)	(10,422)	(7,538)
Total Change in Cash Flow	312	(2,176)	615	911	1,051	11,462	(2,044)
Retained Cash Flow (CFO- Div.+ Equity Issued)	2,448	8,857	11,234	1,946	6,195	16,336	7,684
Balance Sheet & Capitalization							
Cash & Equivalents	1,001	3,249	3,880	1,201	5,605	5,735	1,134
Other Deductions from Gross Debt	(91)	1,726	182	121	193	4,613	0
Total Cash and Financial Assets	910	4,975	4,062	1,322	5,798	10,348	1,134
Reported Gross Debt	12,066	44,424	40,710	12,325	42,902	53,204	30,047
Reported Net Debt	11,156	39,449	38,204	11,003	37,104	42,856	28,913
Minority Interest	23	3,213	4,021	0	816	3,003	1,685
Savings Shares (MM)	0	0	0	0	13,381	0	0
Market Price/Savings Share	0	0	0	0	€ 0.84	0	0
Shares (MM)	7,761	4,361	2,614	1,714	13,381	4,626	53,205
Market Price/Share	£1.06	€ 9.54	€ 18.13	€ 10.62	€ 1.08	€ 14.40	€ 1.34
Market Capitalization/Stockholders' Equity	8,203	41,607	47,398	18,207	25,691	66,612	71,162
Total Enterprise Value (TEV)	19,382	84,269	89,623	29,210	63,611	112,471	101,760
Property, Plant & Equipment	15,329	41,502	27,751	7,736	14,635	31,803	16,687

	BT Group	Deutsche Telekom ²	France Telecom ³	Royal KPN	Telecom Italia	Telefonica	Vodafone Group ¹
Bond Ticker	BRITEL	DT	FRTEL	KPN	TITIM	TELEFO	VOD
Period	30-Sep-08	30-Sep-08	30-Jun-08	31-Dec-08	30-Sep-08	30-Sep-08	30-Sep-08
Ratios	LTM (€)	LTM (€)	LTM (€)	LTM (€)	LTM (€)	LTM (€)	LTM (€)
TEV/Revenue	0.9x	1.4x	1.7x	2.0x	2.1x	2.0x	2.6x
TEV/EBITDA	3.4x	4.2x	4.7x	5.8x	5.9x	5.2x	7.3x
TEV/Free Cash Flow	12.5x	8.2x	11.4x	13.9x	30.5x	6.4x	15.6x
TEV/PPPE	1.3x	2.0x	3.2x	3.8x	4.3x	3.5x	6.1x
Total Debt/Market Capitalization	147%	107%	86%	68%	167%	80%	42%
Total Debt/TEV	62%	53%	45%	42%	67%	47%	30%
EBITDA/Total Interest	9.6x	5.9x	6.2x	7.2x	4.9x	7.6x	7.0x
(EBITDA-Capex)/Total Interest	4.2x	3.9x	3.7x	4.5x	2.3x	4.6x	4.9x
Total Debt/EBITDA	2.1x	2.2x	2.1x	2.4x	4.0x	2.5x	2.2x
Net Debt/EBITDA	2.0x	2.0x	1.9x	2.2x	3.4x	2.0x	2.1x
Total Debt/Free Cash Flow	7.8x	4.3x	5.2x	5.9x	20.5x	3.0x	4.6x
TEV/Access Lines	£737	€ 1,706	€ 1,983	€ 5,813	€ 3,097	€ 2,601	£57,654
Total Debt/Access Lines	£459	€ 899	€ 901	€ 2,453	€ 2,089	€ 1,230	£17,024
TEV/Wireless Subs	£48,335	€ 665,106	€ 762	€ 942	€ 903	€ 595	£352
Total Debt/Wireless Subs	£30,090	€ 350,624	€ 346	€ 398	€ 609	€ 282	£104
Dollar Denominated Bonds							
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	626 bp	394 bp	349 bp	476 bp	601 bp	292 bp	300 bp
Z-Spread	591 bp	354 bp	308 bp	437 bp	565 bp	317 bp	325 bp
I-Spread	576 bp	344 bp	299 bp	425 bp	554 bp	310 bp	319 bp
Bid Price	100.37	122.26	125.84	108.387	83.23	108.23	95.72

1. 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 to reflect issue of €750 million of 5.875% senior notes on 3-Sep-08.

3. Operating stats, revenues, EBITDA, and Capex are as of 3Q08.

Source: J.P. Morgan & Company Reports

Telecom Calendar: February 2009 (all times EST)

Monday	Tuesday	Wednesday	Thursday	Friday
2/2	2/3 Vodafone: 3Q09 Selected Financials and KPIs released.	2/4 West Corp.: 4Q08 Conf. Call Replay: 800-642-1687 Passcode: 81977334 Windstream: 4Q08 Conf. Call Replay: 800-642-1687 Passcode: 80230581	2/5 TDC A/S: 4Q08 Earnings Release Cincinnati Bell: 4Q08 Conf. Call Replay: 800-642-1687 Passcode: 80230581	2/6
2/9	2/10 tw telecom: 4Q08 Conf. Call Replay: Webcast Qwest Comm: 4Q08 Conf. Call Replay: 866-837-8032 Dial-in: 1321326#	2/11 Level 3: 4Q08 Conf. Call Time: 10:00AM Dial-in: 800-289-0528 BCE, Inc.: 4Q08 Earnings Release	2/12 British Telecom: 3Q09 Conf. Call Time: 4:00AM Dial-in: 44-1296-480-100 Embarq: 4Q08 Conf. Call Time: 4:30PM Dial-in: 866-245-2310	2/13
2/16 Presidents' Day Markets Closed	2/17	2/18 Rogers Comm.: 4Q08 Conf. Call Time: 8:00AM Dial-in: 416-915-5762	2/19 Sprint-Nextel: 3Q09 Conf. Call Time: 8:00AM Dial-in: 866-763-0020 CenturyTel: Conf. Call Time: 11:30AM Dial-in: 866-259-1024	2/20
2/23	2/24	2/25 Frontier Comm: 4Q08 Conf. Call Time: 9:00AM Dial-in: 877-874-1568 Crown Castle: 4Q08 Conf. Call Time: 10:30AM Dial-in: 303-262-2004	2/26 American Tower: 4Q08 Conf. Call Time: 8:00AM Dial-in: 877-235-9047 MetroPCS: 4Q08 Conf. Call Time: 9:00AM Dial-in: 888-464-7607 PAETEC: 4Q08 Conf. Call Time: 9:00AM Dial-in: 800-597-1926 Telefonica: 4Q08 Conf. Call Time: 10:00AM Dial-in: 334-323-6201 American Tower: 4Q08 Conf. Call Time: 8:00AM Dial-in: 877-235-9047 Leap Wireless: 4Q08 Conf. Call Time: 5:00PM Dial-in: 800-884-5695	2/27 Deutsche Telekom: 4Q08 Conf. Call Telecom Italia: 4Q08 Conf. Call SBA Comm: 4Q08 Conf. Call Time: 10:00AM Dial-in: 800-230-1074

Sources: J.P. Morgan and company reports.

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