

STIFEL NICOLAUS

Telecom Services Equity Research

FCC Capital Formation Field Hearing

October 1, 2009

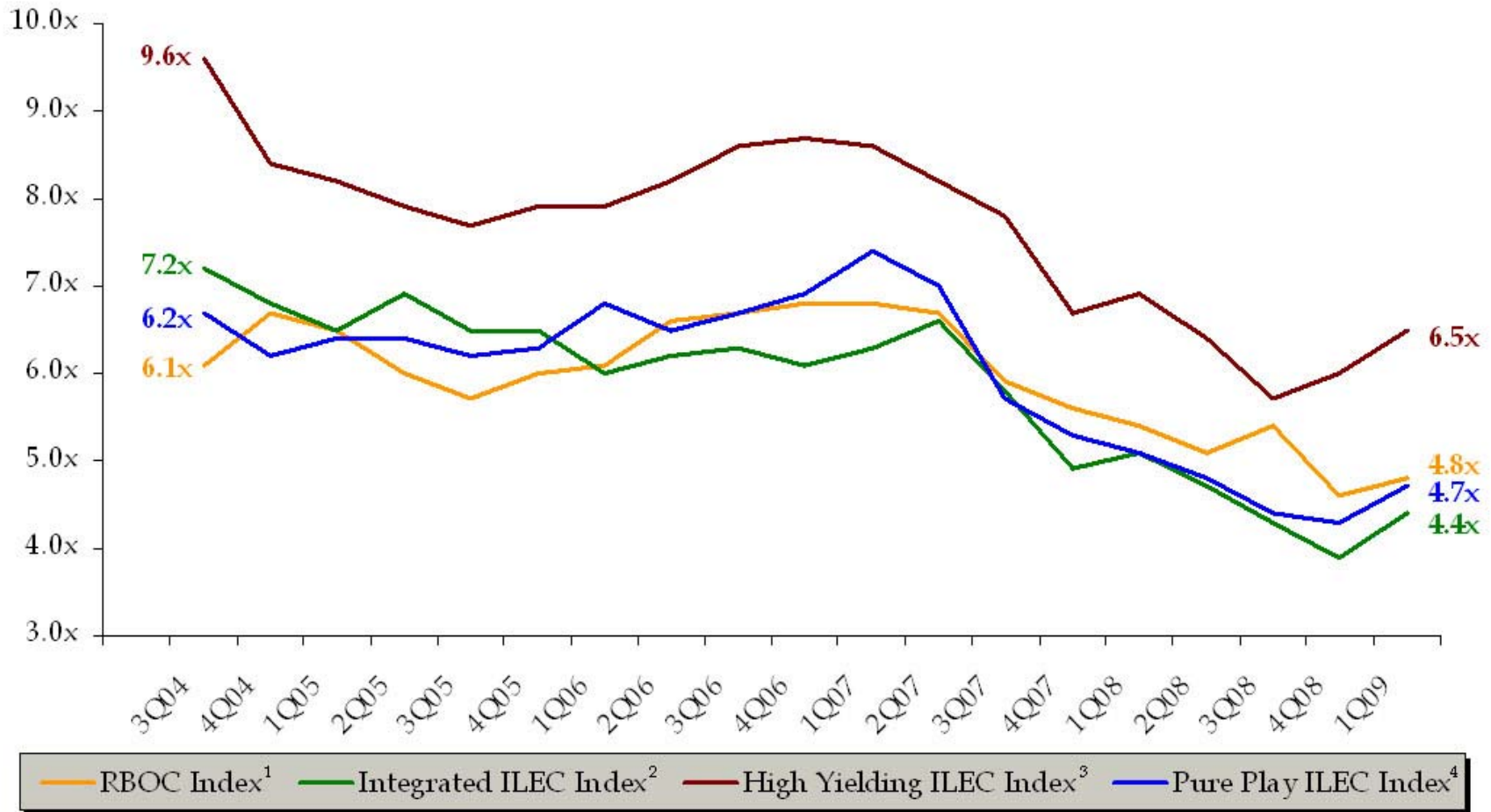
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All relevant disclosures and certifications can be found on pages 6-7 of this report.

- ✦ 4 of the top 5 highest-dividend yields in the S&P 500 index are telecom service providers
 - ✦ Frontier, Qwest, Windstream, CenturyLink
- ✦ AT&T and Verizon have never traded at such yield spreads over U.S. Treasuries
- ✦ Comcast and Time Warner Cable are trading at historically valuation multiples (EV/EBITDA)



Source: Company filings, press releases, Factset, and Stifel Nicolaus analysis

















Notes:

1 RBOC index is comprised of AT&T, Qwest, and Verizon Communications

2 Integrated ILEC index is comprised of Atlantic Tele-Network, Cincinnati Bell, and Telephone & Data Systems

3 High Yielding ILEC index is comprised of Alaska Communications, Consolidated Communications, Frontier Communications, Iowa Telecom, and Windstream

4 Pure Play ILEC index is comprised of CenturyLink, D&E Communications, FairPoint Communications, and Hickory Tech

Acquiror	Target	Synergies as a % of		Enterprise Value / EBITDA	
		Revenue	EBITDA	Pre-Synergy	Post-Synergy
		11.6%	26.1%	4.5x	3.6x
		16.9%	39.1%	5.2x	3.7x
		6.4%	15.4%	4.5x	3.9x
		5.6%	15.7%	6.3x	6.0x
		6.9%	15.4%	7.6x	6.6x
		8.7%	17.2%	8.4x	7.2x
		12.1%	23.3%	6.7x	5.5x
		16.7%	51.7%	10.1x	6.7x
	Mean	9.4%	23.1%	7.3x	6.0x

- ✦ Long-term regulatory certainty
 - ✦ Net Neutrality, etc.
- ✦ Comprehensive broadband support structure needed
 - ✦ Capital commitment support
 - ✦ Grants; Tax Credits
 - ✦ Larger Telcos/Cable MSOs have publicly complained regarding reporting requirements and restrictions associated with current stimulus program
 - ✦ Operational Expense support
 - ✦ Tax credits to offset middle-mile investment
 - ✦ Potential re-regulation of special access in rural areas
- ✦ Incentives for broadband usage?
 - ✦ From a purely numbers perspective, the bigger problem is still penetration rather than availability
 - ✦ Universal Service Support for Broadband?

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