FRONTIER COMMUNICATIONS CORP
Form 424B5
April 06, 2009
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Filed pursuant to Rule 424(b)(5)
File No. 333-158391

CALCULATION OF REGISTRATION FEE

Title of each class of securities offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
8.25% Senior Notes due 2014	$550,830,000	$30,736.31

(1) Calculated in accordance with Rule 457(r)

Prospectus supplement

(To Prospectus dated April 3, 2009)

Frontier Communications Corporation

$600,000,000

8.25% Senior Notes due 2014

Interest payable May 1 and November 1

Issue price: 91.805%

The notes will mature on May 1, 2014. Interest will accrue from April 9, 2009, and the first interest payment date will be May 1, 2009.

We may, at our option, redeem some or all of the notes at any time, by paying a make-whole premium, plus accrued and unpaid interest, if any, to the date of the redemption. See Description of the notes Optional redemption.

The notes will be our senior obligations. The notes will rank equally with all of our other unsecured senior indebtedness from time to time outstanding.

The notes will not be listed on any exchange or quoted on any automated dealer quotation system. Currently, there is no public market for the notes.

Investing in the notes involves risks. See Supplemental risk factors beginning on page S-7 herein and Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference herein, for a discussion of factors you should consider carefully before investing in the notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Price to public	Underwriting discount	Proceeds to Frontier (before expenses)
Per note	91.805%	2.000%	89.805%
Total	$550,830,000	$12,000,000	$538,830,000

We expect that delivery of the notes will be made to investors in book-entry form only through The Depository Trust Company on or about April 9, 2009.

Joint book-running managers

J.P.Morgan **Credit Suisse** **Citi**

Co-managers

Deutsche Bank Securities **UBS Investment Bank**

The date of this prospectus supplement is April 3, 2009

In making your investment decision, you should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and in any free writing prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We and the underwriters are offering to sell the notes only in places where offers and sales are permitted.

You should assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate as of the date on the front cover only.

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Prospectus supplement

Prospectus

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About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

If the description of this offering or the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement or subsequently filed documents incorporated by reference herein. You should also read and consider the additional information under the captions Where you can find more information and Incorporation by reference in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, in the accompanying prospectus and in any free writing prospectus with respect to the offering filed by us with the Securities and Exchange Commission. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to the offering filed by us with the Securities and Exchange Commission and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Cautionary note regarding forward-looking statements

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference therein and herein, contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. Statements that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as believe, anticipate, expect and similar expressions are intended to identify forward-looking statements. Forward-looking statements (including oral representations) are only predictions or statements of current plans, which we review continuously. Forward-looking statements may differ from actual future results due to, but not limited to, and our future results may be materially affected by, any of the following possibilities:

Reductions in the number of our access lines and High-Speed Internet subscribers;

The effects of competition from cable, wireless and other wireline carriers (through voice over internet protocol (VOIP) or otherwise);

Reduction of switched access revenues as a result of regulation, competition and/or technology substitutions;

The effects of greater than anticipated competition requiring new pricing, marketing strategies or new product offerings and the risk that we will not respond on a timely or profitable basis;

The effects of changes in both general and local economic conditions on the markets we serve, which can impact demand for our products and services, customer purchasing decisions, collectability of revenue and required levels of capital expenditures related to new construction of residences and businesses;

Our ability to effectively manage service quality;

Our ability to successfully introduce new product offerings, including our ability to offer bundled service packages on terms that are both profitable to us and attractive to our customers;

Our ability to sell enhanced and data services in order to offset ongoing declines in revenue from local services, switched access services and subsidies;

Changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles or regulators;

The effects of ongoing changes in the regulation of the communications industry as a result of federal and state legislation and regulation, including potential changes in state rate of return limitations on our earnings, access charges and subsidy payments, and regulatory network upgrade and reliability requirements;

Our ability to effectively manage our operations, operating expenses and capital expenditures, to pay dividends and to reduce or refinance our debt;

Adverse changes in the credit markets and/or in the ratings given to our debt securities by nationally accredited ratings organizations, which could limit or restrict the availability of, and/or increase the cost of financing;

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The effects of bankruptcies and home foreclosures, which could result in increased bad debts;

The effects of technological changes and competition on our capital expenditures and product and service offerings, including the lack of assurance that our ongoing network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks;

The effects of increased medical, retiree and pension expenses and related funding requirements;

Changes in income tax rates, tax laws, regulations or rulings, and/or federal or state tax assessments;

Further declines in the value of our pension plan assets, which could require us to make contributions to the pension plan beginning in 2010;

The effects of state regulatory cash management policies on our ability to transfer cash among our subsidiaries and to the parent company;

Our ability to successfully renegotiate union contracts expiring in 2009 and thereafter;

Our ability to pay a $1.00 per common share dividend annually, which may be affected by our cash flow from operations, amount of capital expenditures, debt service requirements, cash paid for income taxes (which will increase in 2009) and our liquidity;

The effects of significantly increased cash taxes in 2009 and thereafter;

The effects of any unfavorable outcome with respect to any of our current or future legal, governmental or regulatory proceedings, audits or disputes;

The possible impact of adverse changes in political or other external factors over which we have no control; and

The effects of hurricanes, ice storms and other severe weather.

Any of the foregoing events, or other events, could cause financial information to vary from management s forward-looking statements included in this report. You should consider these important factors, as well as the risks set forth under Supplemental risk factors in this prospectus supplement and Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference herein, in evaluating any statement made in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have no obligation to update or revise these forward-looking statements.

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Summary

This summary highlights information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. As used in this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, references to we, us, our, Frontier and the Company refer to Frontier Communications Corporation and its subsidiaries.

Our company

We are a full-service communications provider and one of the largest local exchange telephone carriers in the country based on the number of access lines. We are typically the leading incumbent carrier in the markets we serve and provide the last mile of telecommunications services to residential and business customers in these markets. We offer telephone, internet and television services, as well as bundled offerings, ESPN360 streaming video, security solutions and specialized bundles for residences, small business and home offices.

The services that we provide include access, local and long distance services, data and internet services, directory services, television services and more recently, wireless services. Through our access services, we allow other carriers the use of our facilities to originate and terminate their long distance voice and data traffic. We also allow certain carriers and high-volume commercial customers access to dedicated high-capacity circuits. Through our local services, we provide basic and enhanced telephone wireline access services to residential and business customers. Through our long distance services, we offer local services customers the opportunity to obtain both local and long distance calling service from us. Our data and internet services offer customers a range of internet access and data transfer options. Our directory services involve the provision of white and yellow pages directories for residential and business listings. We provide television services in partnership with a satellite television provider. During 2006, we began offering wireless data services in certain markets.

Our mission is to be the leader in providing communications services to residential and business customers in our markets. We are committed to delivering innovative and reliable products and solutions with an emphasis on convenience, service and customer satisfaction. We offer a variety of voice, data and internet, and television services that are available as bundled or packaged solutions and for some products, a la carte. We believe that superior customer service and innovative product positioning will continue to differentiate us from our competitors in the markets in which we compete.

As of December 31, 2008, we had 2,254,333 access lines and 579,943 High-Speed Internet subscribers. For the year ended December 31, 2008, we had total revenue of approximately $2.2 billion.

We are a Delaware corporation with executive offices at 3 High Ridge Park, Stamford, Connecticut 06905. Our telephone number is (203) 614-5600.

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The offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The sections entitled Description of the notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus contain more detailed descriptions of the terms and conditions of the notes and the indenture governing the notes. In this subsection, we, us and our refer only to Frontier Communications Corporation and not to any of our subsidiaries.

Issuer	Frontier Communications Corporation
Notes offered	$600,000,000 aggregate principal amount of 8.25% Senior Notes due 2014.
Maturity date	May 1, 2014.
Interest	We will make interest payments on the notes semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2009. Interest will accrue from April 9, 2009.
Ranking	The notes will be our senior unsecured obligations and will rank:

- equal in right of payment to all of our existing and future senior unsecured indebtedness;
- effectively junior to all of our existing and future senior secured indebtedness (all of which is currently at our subsidiaries) to the extent of the assets securing such indebtedness;
- effectively junior to all existing and future indebtedness and other liabilities and commitments of our subsidiaries (including trade payables and capital lease obligations); and
- senior in right of payment to all of our existing and future subordinated indebtedness, if any.

As of December 31, 2008, we and our subsidiaries had approximately $4.7 billion of indebtedness. At such date, the notes would have ranked effectively junior to (i) approximately $16.6 million of senior secured indebtedness to the extent of the assets securing such indebtedness (all of which would have been at our subsidiaries) and (ii) approximately $582.7 million of liabilities of our subsidiaries, including approximately $52.6 million of indebtedness (including the secured indebtedness) and excluding deferred income tax liabilities and intercompany liabilities.

The indenture governing the notes will not restrict the amount of debt we may incur including senior debt which will be pari passu with the notes except that the indenture will limit, subject to important qualifications, the amount of debt our subsidiaries may incur. The notes will rank effectively junior to any such additional subsidiary debt.

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Optional redemption	At any time, we may redeem some or all of the notes by paying a specified make-whole premium set forth under Description of the notes Optional redemption.
Covenants	We will issue the notes under an indenture between us and The Bank of New York Mellon, as trustee. The indenture will include covenants that limit our ability and each of our subsidiaries ability to:

incur indebtedness at our subsidiaries;

create liens; and

merge or consolidate with other companies.

These covenants are subject to important exceptions and qualifications. In addition, we and each of our subsidiaries will not be subject to the covenant described under Description of the notes Limitation on subsidiary indebtedness, including any limitation on indebtedness of subsidiaries, at any time after the notes achieve investment grade ratings by S&P and Moody s. See Description of the notes Termination of certain covenants.

Change of control	Following a change of control and ratings decline (as defined herein), we will be required to offer to purchase all of the notes at a purchase price equal to 101% of their respective principal amounts, plus accrued and unpaid interest, if any, to the date of purchase. See Description of the notes Repurchase of notes upon a change of control triggering event.
Absence of established market for the notes	The notes are a new issue of securities, and currently there is no market for them. We do not intend to apply for the notes to be listed on any securities exchange or to arrange for any quotation system to quote them. The underwriters have advised us that they intend to make a market for the notes but they are not obligated to do so. The underwriters may discontinue any market-making in the notes at any time in their sole discretion. Accordingly, we cannot assure you that a liquid market will develop for the notes.
Use of proceeds	The net proceeds from the offering will be approximately $538.0 million. We will use the net proceeds from the sale of the notes to reduce, repurchase or refinance our indebtedness or the indebtedness of our subsidiaries or for general corporate purposes.
Risk factors	Your investment in the notes will involve risks. You should consider carefully all of the information set forth in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to this offering filed by us with the Securities

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	and Exchange Commission and the documents incorporated by reference herein and, in particular, you should evaluate the specific factors set forth in the section of this prospectus supplement entitled Supplemental risk factors and the section entitled Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, before deciding whether to purchase any notes in this offering.
Governing law	The notes will be governed by the laws of the State of New York.
Trustee	The Bank of New York Mellon.
Original issue discount	The notes may be issued with original issue discount for United States federal income tax purposes. As a result, holders who are United States federal income taxpayers generally would be required to include original issue discount in gross income in advance of the receipt of cash attributable to that income. See Material United States federal income tax considerations U.S. holders Original issue discount.

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Summary historical consolidated financial information

The following information has been derived from our consolidated financial statements as of and for each of the years in the five-year period ended December 31, 2008. You should read this information along with our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008 incorporated in this prospectus supplement and the accompanying prospectus by reference. See Where you can find more information.

					Year ended December 31,
($ in thousands)	2008	2007	2006	2005	2004
Statement of operations information (1):					
Revenue	$ 2,237,018	$ 2,288,015	$ 2,025,367	$ 2,017,041	$ 2,022,378
Operating income	$ 642,456	$ 705,416	$ 644,490	$ 588,968	$ 460,301
Income from continuing operations	$ 182,660	$ 214,654	$ 254,008	$ 187,942	$ 57,064
Net income	$ 182,660	$ 214,654	$ 344,555	$ 202,375	$ 72,150
Balance sheet data (end of period):					
Total assets	$ 6,888,676	$ 7,256,069	$ 6,797,536	$ 6,427,567	$ 6,679,899
Long-term debt	$ 4,721,685	$ 4,736,897	$ 4,467,086	$ 3,995,130	$ 4,262,658
Shareholders equity	$ 519,045	$ 997,899	$ 1,058,032	$ 1,041,809	$ 1,362,240
Other financial data:					
Capital expenditures	$ 288,264	$ 315,793	$ 268,806	$ 259,448	$ 263,949
Adjusted EBITDA (1)(2)	$ 1,204,257	$ 1,251,272	$ 1,120,977	$ 1,109,172	$ 1,009,682
Operating data (end of period):					
Access lines	2,254,333	2,429,142	2,126,574	2,237,539	2,336,423
High-speed internet subscribers	579,943	522,845	393,184	318,096	220,313

(1) Operating results include activities from our Vermont Electric segment for three months of 2004, and for Commonwealth from the date of its acquisition on March 8, 2007 and for GVN from the date of its acquisition on October 31, 2007.

(2) Adjusted EBITDA is a non-GAAP financial measure which we define as operating income plus depreciation and amortization. A reconciliation of the differences between Adjusted EBITDA and the most comparable financial measure calculated and presented in accordance with GAAP is included in the table that follows. Adjusted EBITDA is, by definition, not a measure of financial performance under GAAP and is not an alternative to operating income or net income reflected in the statement of operations or to cash flow, as reflected in the statement of cash flows, and it is not necessarily indicative of cash available to fund all cash needs. Adjusted EBITDA as used by us may not be comparable to similarly titled measures of other companies.

We believe that presentation of Adjusted EBITDA provides useful information to investors regarding our financial condition and results of operations because Adjusted EBITDA, when used in conjunction with related GAAP financial measures, (i) provides a more comprehensive view of our core operations and ability to generate cash flow, (ii) provides investors with the financial analytical framework upon which management bases financial, operational, compensation and planning decisions and (iii) presents measurements that investors and rating agencies have indicated to management are useful to them in assessing us and our results of operations.

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Management uses Adjusted EBITDA to (i) assist in analyzing our underlying financial performance from period to period, (ii) evaluate the financial performance of our business units, (iii) analyze and evaluate strategic and operational decisions, (iv) establish criteria for compensation decisions, and (v) assist management in understanding our ability to generate cash flow and, as a result, to plan for future capital and operational decisions. Management uses Adjusted EBITDA in conjunction with related GAAP financial measures. We believe that Adjusted EBITDA is meaningful and useful for the reasons outlined above.

While we utilize Adjusted EBITDA in managing and analyzing our business and financial condition and believe it is useful to management and to investors for the reasons described above, Adjusted EBITDA has certain shortcomings. Management compensates for the shortcomings of Adjusted EBITDA by utilizing it in conjunction with comparable GAAP financial measures. The information presented in this section should be read in conjunction with the consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2008 incorporated in this prospectus supplement and the accompanying prospectus by reference.

The following are the components of Adjusted EBITDA for each of the years in the five-year period ended December 31, 2008.

				Year ended December 31,	
(In thousands)	**2008**	**2007**	**2006**	**2005**	**2004**
Operating income	$642,456	$705,416	$644,490	$588,968	$460,301
Add back:					
Depreciation and amortization	561,801	545,856	476,487	520,204	549,381
Adjusted EBITDA	$1,204,257	$1,251,272(a)	$1,120,977	$1,109,172	$1,009,682

(a) Includes $38,700 in access revenue as a result of a significant carrier dispute settlement and $14,379 in pension curtailment gain, without which Adjusted EBITDA would have been $1,198,193.

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Supplemental risk factors

You should carefully consider the supplemental risks described below in addition to the risks described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference herein, as well as the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, before investing in the notes. See Where you can find more information and Incorporation by reference. You could lose part or all of your investment.

Substantial debt and debt service obligations may adversely affect us.

We have a significant amount of indebtedness, which amounted to approximately $4.7 billion at December 31, 2008. We may also obtain additional long-term debt and working capital lines of credit to meet future financing needs, subject to certain restrictions under the terms of our existing indebtedness, which would increase our total debt. Although our existing debt is substantial, the indenture under which the notes will be issued will still permit us to incur additional debt. If we were to incur additional indebtedness, the risks that you face as a result of our substantial indebtedness could be magnified.

The significant negative consequences on our financial condition and results of operations that could result from our substantial debt include:

- limitations on our ability to obtain additional debt or equity financing, particularly in light of the current credit environment;
- instances in which we are unable to meet the financial covenants contained in our debt agreements or to generate cash sufficient to make required debt payments, which circumstances have the potential of accelerating the maturity of some or all of our outstanding indebtedness;
- the allocation of a substantial portion of our cash flow from operations to service our debt, thus reducing the amount of our cash flow available for other purposes, including operating costs, capital expenditures and dividends that could improve our competitive position, results of operations or stock price;
- requiring us to sell debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet payment obligations;
- compromising our flexibility to plan for, or react to, competitive challenges in our business and the communications industry; and
- the possibility of our being put at a competitive disadvantage with competitors who do not have as much debt as us, and competitors who may be in a more favorable position to access additional capital resources.

We are a holding company and, as a result, rely on the receipt of funds from our subsidiaries in order to meet our cash needs and service our indebtedness, including the notes. The notes will be effectively subordinated to liabilities of our subsidiaries.

We are a holding company and our principal assets consist of the shares of capital stock or other equity instruments of our subsidiaries. As a holding company without independent means of generating operating revenues, we depend on dividends, distributions and other payments from our subsidiaries to fund our obligations, including those arising under the notes, and meet our

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cash needs. We cannot assure you that the operating results of our subsidiaries at any given time will be sufficient to make distributions to us in order to allow us to make payments on the notes. In addition, the payment of these dividends, distributions and other payments, as well as other transfers of assets, between our subsidiaries and from our subsidiaries to us may be subject to regulatory or contractual restrictions. Some state regulators have imposed and others are considering imposing on regulated companies, including us, cash management practices that could limit the ability of such regulated companies to transfer cash between subsidiaries or to the parent company. While none of the existing state regulations materially affect our cash management, any changes to the existing regulations or imposition of new regulations may materially adversely affect our ability to transfer cash within our consolidated companies.

You will not have any claim as a creditor against our subsidiaries. Accordingly, all obligations of our subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise. As of December 31, 2008, our subsidiaries had outstanding approximately $582.7 million of total liabilities, including approximately $52.6 million of indebtedness (including secured indebtedness) and excluding deferred income tax liabilities and intercompany liabilities. Although the indenture governing the notes will limit the indebtedness our subsidiaries may incur, our subsidiaries will be able to incur a substantial amount of additional debt, including without limitation Acquired Indebtedness (as defined in the indenture). See Description of the notes Covenants Limitations on subsidiary indebtedness. Moreover, the indenture governing the notes will provide that this covenant will no longer be applicable to us from and after the first date on which the notes are rated investment grade. Termination of this covenant would allow us to engage in certain transactions that would not be permitted while this covenant was in effect even if the notes are subsequently downgraded below investment grade. See Description of the notes Termination of certain covenants.

There will be no cross-default or cross-acceleration provisions in the indenture governing the notes, which could affect our ability to satisfy our obligations under the notes.

The indenture governing the notes will not contain a cross-default or cross-acceleration provision so holders of the notes will not have the right to accelerate indebtedness represented by the notes in the event of (1) a default by us or any of our subsidiaries under any other indebtedness of our company or our subsidiaries, including under our credit facilities, or (2) a bankruptcy or similar event affecting any of our subsidiaries. If such events occur, our obligations and our subsidiaries obligations, as applicable, will have to be satisfied first, and the holders of the notes will have no rights to participate in any distributions or payments. Consequently, we might not have sufficient funds or resources following such events to satisfy our obligations, including our obligations under the notes.

The notes are unsecured and will effectively be subordinated to any secured indebtedness.

The notes are unsecured and therefore will be effectively subordinated to any of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. In the event of a bankruptcy or similar proceeding, the assets that serve as collateral for any secured indebtedness will be available to satisfy the obligations under the secured indebtedness before any payments are made on the notes. As of December 31, 2008, we had approximately $16.6 million of secured indebtedness.

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The indenture governing the notes will permit us, subject to specified limitations, to incur a substantial amount of additional secured debt, including without limitation Acquired Indebtedness (as defined in the indenture).

The agreements governing our debt, including the notes and our credit facilities, contain various covenants that impose restrictions on us that may affect our ability to operate our business and to make payments on the notes.

The indenture governing the notes will contain covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur indebtedness at our subsidiaries;
- create liens; and
- merge or consolidate with other companies.

In addition, our credit facilities require us to comply with specified covenants, including financial ratios. Any future indebtedness may also require us to comply with similar covenants. These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity for the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our obligations under the notes. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing.

If an active trading market does not develop for the notes, you may be unable to sell the notes or to sell them at a price you deem sufficient.

The notes are new issues of securities for which there is currently no public trading market. We do not intend to list the notes on any national securities exchange or automated quotation system. In addition, the liquidity of any trading market for the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for those securities and by changes in our financial performance or prospects or in the prospects of telecommunications companies generally. We cannot give you any assurance as to:

- the liquidity of any trading market that may develop;
- the ability of holders to sell their notes; or
- the price at which holders would be able to sell their notes.

Even if a trading market develops, the notes may trade at higher or lower prices than the principal amount or purchase price depending on many factors, including:

- prevailing interest rates;
- the number of holders of the notes;
- the interest of securities dealers in making a market for such notes;
- the market for similar notes; and
- our financial performance.

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In addition, we understand that the underwriters presently intend to make a market in the notes. However, they are not obligated to do so and may discontinue making a market in the notes at any time without notice. As a result, we cannot assure you that an active trading market will develop for the notes. If no active trading market develops, the price at which you may be able to sell notes, if at all, may be less than the price you pay for them.

We may not have sufficient funds to repurchase the notes upon a change of control, and certain strategic transactions may not constitute a change of control.

The terms of the notes will require us to make an offer to repurchase the notes upon the occurrence of a change of control and ratings decline (as defined herein) at a purchase price equal to 101% of the respective principal amount of the notes plus accrued interest to the date of the purchase. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes and will be required to obtain third party financing to do so. We may not be able to obtain this financing on commercially reasonable terms, or on terms acceptable to us, or at all. In addition, the occurrence of certain change of control events may constitute an event of default under the terms of our credit facilities. Such an event of default would entitle the lenders under our credit facilities to, among other things, cause all outstanding debt thereunder to become due and payable.

We continuously evaluate and may in the future enter into strategic transactions. Any such transaction could happen at any time, could be material to our business and could take any number of forms, including, for example, an acquisition, merger or a sale of all or substantially all of our assets.

We currently have no agreement or understanding regarding, and are not in active negotiations with respect to, any material strategic transaction, although as part of our strategy we expect to continue to evaluate and may enter into material strategic transactions in the future. Further, subject to limitations in the indenture governing the notes, we could, in the future, enter into certain transactions, including acquisitions, refinancings, other recapitalizations and material strategic transactions, that would not result in a change of control or a change of control triggering event within the meaning of the indenture and would not otherwise be prohibited by the covenants and provisions of the indenture. Such transactions could significantly increase the amount of our indebtedness outstanding at such time (including secured debt or subsidiary debt that would be effectively or structurally senior to the notes) or otherwise affect our capital structure or credit ratings.

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Use of proceeds

The net proceeds from the offering, after deducting underwriting discounts and estimated expenses, will be approximately $538.0 million. We will use the net proceeds from the sale of the notes to reduce, repurchase or refinance our indebtedness or the indebtedness of our subsidiaries or for general corporate purposes.

Pending the application of the net proceeds, we may invest such net proceeds in short-term investment grade obligations.

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2008 on a historical basis and as adjusted to give effect to the sale of the $600.0 million principal amount of notes offered hereby.

You should read this information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference herein.

	December 31, 2008	
(In millions)	**Historical**	**As adjusted**
Cash and cash equivalents	$ 163.6	$ 701.6
Long-term debt, net of current portion and debt discount:		
Senior notes offered hereby		600.0
Senior notes, debentures and other debt	4,721.7	4,721.7
Total long-term borrowings	4,721.7	5,321.7
Total shareholders equity	519.0	519.0
Total capitalization	$ 5,240.7	$ 5,840.7

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Description of other indebtedness

The following is a summary of certain of our outstanding indebtedness. To the extent this summary contains descriptions of our credit facilities, our senior notes and debentures and the indentures governing them, the descriptions do not purport to be complete and are qualified in their entirety by reference to those and related documents. See Where you can find more information and Incorporation by reference.

Our credit facilities

As of December 31, 2008, we had an available line of credit with seven financial institutions in the aggregate amount of $250.0 million. Associated facility fees vary, depending on our debt leverage ratio, and were 0.225% per annum as of December 31, 2008. The expiration date for this $250.0 miln 0in;width:15.0%;">

The motion was carried as an ordinary resolution on a poll the details of which are:

The number of votes cast for the motion was

648,208,292

The number of votes cast against the motion was

36,455,509

In addition the number of votes which abstained from voting was

4,584,982

Motion 8 Shares, performance options and performance rights Director, Finance & Risk (an Executive Director)

Votes where the proxy directed to vote for the motion	631,487,230
Votes where the proxy was directed to vote against the motion	32,745,421
Votes where the proxy may exercise a discretion how to vote	19,208,822
In addition, the number of votes where the proxy was directed to abstain from voting on the motion was	4,471,415

The motion was carried as an ordinary resolution on a poll the details of which are:

The number of votes cast for the motion was	651,686,251
The number of votes cast against the motion was	32,965,950
In addition the number of votes which abstained from voting was	4,530,070

Motion 9 Approval to the selective buy-back arrangements relating to the preference shares associated with the National Income Securities	
Votes where the proxy directed to vote for the motion	147,606,397
Votes where the proxy was directed to vote against the motion	3,582,663
Votes where the proxy may exercise a discretion how to vote	23,111,322
In addition, the number of votes where the proxy was directed to abstain from voting on the motion was	2,500,216
The motion was carried as a special resolution on a poll the details of which are:	
The number of votes cast for the motion was	171,680,475
The number of votes cast against the motion was	3,637,601
In addition the number of votes which abstained from voting was	2,558,871

Dated this 30th day of January 2006

Garry Nolan

Company Secretary

SIGNATURE PAGE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

NATIONAL AUSTRALIA BANK LIMITED

	Signature: /s/ ***Brendan T Case***
Date: 31 January 2006	Name: Brendan T Case
	Title: Associate *Company Secretary*

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