FRONTIER COMMUNICATIONS CORP
Form 10-Q
August 08, 2013

FRONTIER COMMUNICATIONS CORPORATION

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________to__________

Commission file number: 001-11001

FRONTIER COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	06-0619596
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3 High Ridge Park Stamford, Connecticut	06905
(Address of principal executive offices)	(Zip Code)

(203) 614-5600
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

The number of shares outstanding of the registrant’s Common Stock as of July 26, 2013 was 999,723,000.

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1.Financial Statements

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
($ in thousands)

	(Unaudited) June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 548,630	$ 1,326,532
Accounts receivable, less allowances of $85,494 and $93,267, respectively	486,495	533,704
Restricted cash	9,260	15,408
Prepaid expenses	69,954	66,972
Income taxes and other current assets	162,602	144,587
Total current assets	1,276,941	2,087,203
Restricted cash	11,611	27,252
Property, plant and equipment, net	7,361,756	7,504,896
Goodwill	6,337,719	6,337,719
Other intangibles, net	1,368,935	1,542,739
Other assets	243,104	233,822
Total assets	$ 16,600,066	$ 17,733,631
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt due within one year	$ 257,905	$ 560,550
Accounts payable	271,942	338,148
Advanced billings	140,005	146,317
Accrued other taxes	65,337	66,342
Accrued interest	188,548	209,327
Other current liabilities	224,423	232,836
Total current liabilities	1,148,160	1,553,520
Deferred income taxes	2,317,113	2,357,210
Pension and other postretirement benefits	1,045,978	1,055,058
Other liabilities	252,888	266,625
Long-term debt	7,900,922	8,381,947
Equity:		
Shareholders' equity of Frontier:		
Common stock, $0.25 par value (1,750,000,000 authorized shares, 1,000,523,000 and 998,410,000 outstanding, respectively, and 1,027,986,000 issued, at June 30, 2013 and December 31, 2012)	256,997	256,997
Additional paid-in capital	4,408,652	4,639,563
Retained earnings	72,885	63,205
Accumulated other comprehensive loss, net of tax	(470,084)	(483,576)
Treasury stock	(333,445)	(368,593)

Total shareholders' equity of Frontier		3,935,005		4,107,596
Noncontrolling interest in a partnership		-		11,675
Total equity		3,935,005		4,119,271
Total liabilities and equity	$	16,600,066	$	17,733,631

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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PART I. FINANCIAL INFORMATION (Continued)

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012
($ in thousands, except for per-share amounts)
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Revenue	$1,190,533	$1,258,777	$2,395,929	$2,526,831
Operating expenses:				
Network access expenses	107,114	115,433	216,512	231,002
Other operating expenses	534,015	539,911	1,075,514	1,091,494
Depreciation and amortization	297,849	307,047	601,524	664,347
Integration costs	-	28,602	-	63,746
Total operating expenses	938,978	990,993	1,893,550	2,050,589
Gain on sale of Mohave partnership interest	14,601	-	14,601	-
Operating income	266,156	267,784	516,980	476,242
Investment income	231	9,991	3,293	12,094
Losses on early extinguishment of debt	(159,780)	(70,818)	(159,780)	(70,818)
Other income (loss), net	2,725	(1,187)	4,317	2,298
Interest expense	166,547	172,054	337,967	336,916
Income (loss) before income taxes	(57,215)	33,716	26,843	82,900
Income tax expense (benefit)	(18,755)	11,717	14,520	30,411
Net income (loss)	(38,460)	21,999	12,323	52,489
Less: Income attributable to the noncontrolling interest in a partnership	-	4,010	2,643	7,732
Net income (loss) attributable to common shareholders of Frontier	$(38,460)	$17,989	$9,680	$44,757
Basic and diluted net income (loss) per common share attributable to common shareholders of Frontier	$(0.04)	$0.02	$0.01	$0.04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012
($ in thousands)
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Net income (loss)	$ (38,460)	$ 21,999	$ 12,323	$ 52,489

Other comprehensive income, net of tax (see Note 15)		6,746			5,567		13,492		9,834
Comprehensive income (loss)		(31,714	)		27,566		25,815		62,323
Less: Income attributable to the noncontrolling interest in a partnership		-			(4,010	)	(2,643	)	(7,732	)
Comprehensive income (loss) attributable to the common shareholders of Frontier	$	(31,714	)	$	23,556	$	23,172	$	54,591

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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PART I. FINANCIAL INFORMATION (Continued)

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012, THE SIX MONTHS ENDED DECEMBER 31, 2012 AND THE SIX MONTHS ENDED JUNE 30, 2013
($ and shares in thousands)
(Unaudited)

	Shareholders' Equity of Frontier								
	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Noncontrolling Interest	Total Equity
Balance January 1, 2012	1,027,986	$256,997	$4,773,383	$226,721	$(386,963)	(32,858)	$(415,001)	$13,997	$4,469,134
Stock plans	-	-	(40,990)	-	-	3,373	45,859	-	4,869
Dividends on common stock	-	-	-	(199,702)	-	-	-	-	(199,702)
Net income	-	-	-	44,757	-	-	-	7,732	52,489
Other comprehensive income, net of tax	-	-	-	-	9,834	-	-	-	9,834
Distributions	-	-	-	-	-	-	-	(5,000)	(5,000)
Balance June 30, 2012	1,027,986	256,997	4,732,393	71,776	(377,129)	(29,485)	(369,142)	16,729	4,331,624
Stock plans	-	-	6,408	-	-	(91)	549	-	6,957
Dividends on common stock	-	-	(99,238)	(100,450)	-	-	-	-	(199,688)
Net income	-	-	-	91,879	-	-	-	8,946	100,825
Other comprehensive income, net of tax	-	-	-	-	(106,447)	-	-	-	(106,447)
Distributions	-	-	-	-	-	-	-	(14,000)	(14,000)
Balance December 31, 2012	1,027,986	256,997	4,639,563	63,205	(483,576)	(29,576)	(368,593)	11,675	4,119,271
Stock plans	-	-	(31,045)	-	-	2,113	35,148	-	4,103
Dividends on common stock	-	-	(199,866)	-	-	-	-	-	(199,866)
Net income	-	-	-	9,680	-	-	-	2,643	12,323
Other comprehensive income, net of tax	-	-	-	-	13,492	-	-	-	13,492
Distributions	-	-	-	-	-	-	-	(6,400)	(6,400)

Sale of Mohave partnership interest	-	-	-	-	-	-	-	(7,918)	(7,918)
Balance June 30, 2013	1,027,986	$256,997	$4,408,652	$72,885	$(470,084)	(27,463)	$(333,445)	$-	$3,935,005

The accompanying Notes are an integral part of these Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION (Continued)

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
($ in thousands)
(Unaudited)

	2013	2012
Cash flows provided by (used in) operating activities:		
Net income	$12,323	$52,489
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	601,524	664,347
Losses on early extinguishment of debt	159,780	70,818
Stock based compensation expense	8,927	7,775
Pension/OPEB costs	8,608	27,853
Gain on sale of assets	(14,601)	-
Other non-cash adjustments	5,568	8,386
Deferred income taxes	(19,148)	27,158
Change in accounts receivable	43,202	31,696
Change in accounts payable and other liabilities	(75,159)	(136,003)
Change in prepaid expenses, income taxes and other current assets	(50,317)	3,274
Net cash provided by operating activities	680,707	757,793
Cash flows provided from (used by) investing activities:		
Capital expenditures - Business operations	(326,522)	(376,073)
Capital expenditures - Integration activities	-	(27,940)
Network expansion funded by Connect America Fund	(9,233)	-
Grant funds received for network expansion from Connect America Fund	5,998	-
Proceeds on sale of Mohave partnership interest	17,755	-
Cash transferred from escrow	21,790	39,089
Other assets purchased and distributions received, net	1,721	(12,085)
Net cash used by investing activities	(288,491)	(377,009)
Cash flows provided from (used by) financing activities:		
Long-term debt borrowing	750,000	500,000
Financing costs paid	(19,360)	(10,288)
Long-term debt payments	(1,534,074)	(536,968)
Premium paid to retire debt	(159,429)	(52,078)
Dividends paid	(199,866)	(199,702)
Repayment of customer advances for construction, distributions to noncontrolling interests and other	(7,389)	2,172
Net cash used by financing activities	(1,170,118)	(296,864)
(Decrease)/Increase in cash and cash equivalents	(777,902)	83,920
Cash and cash equivalents at January 1,	1,326,532	326,094

Cash and cash equivalents at June 30,	$548,630	$410,014
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	$348,459	$328,771
Income taxes (refunds)	$83,462	$(208)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies:
(a) Basis of Presentation and Use of Estimates:

Frontier Communications Corporation and its subsidiaries are referred to as “we,” “us,” “our,” “Frontier,” or the “Company” this report. Our interim unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2012. All significant intercompany balances and transactions have been eliminated in consolidation. These interim unaudited consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary, in the opinion of Frontier’s management, to present fairly the results for the interim periods shown. Revenues, net income and cash flows for any interim periods are not necessarily indicative of results that may be expected for the full year. For our interim financial statements as of and for the period ended June 30, 2013, we evaluated subsequent events and transactions for potential recognition or disclosure through the date that we filed this quarterly report on Form 10-Q with the Securities and Exchange Commission (SEC).

Frontier had a 33 % controlling general partner interest in a partnership entity, the Mohave Cellular Limited Partnership (Mohave). Mohave’s results of operations and balance sheet were included in our consolidated financial statements through its date of disposal on April 1, 2013. The minority interest of the limited partners was reflected in the consolidated balance sheet as “Noncontrolling interest in a partnership” and in the consolidated statements of operations as “Income attributable to the noncontrolling interest in a partnership.” On April 1, 2013, the Company sold its partnership interest in Mohave. The Company recognized a gain on sale of approximately $14.6 million before taxes in the second quarter of 2013.

The preparation of our interim financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities at the date of the financial statements, (ii) the disclosure of contingent assets and liabilities, and (iii) the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates and judgments are used when accounting for revenue recognition (allowance for doubtful accounts), impairment of long-lived assets, intangible assets, depreciation and amortization, income taxes, purchase price allocations, contingencies, and pension and other postretirement benefits, among others. Certain information and footnote disclosures have been excluded and/or condensed pursuant to SEC rules and regulations.

(b) Revenue Recognition:

Revenue is recognized when services are provided or when products are delivered to customers. Revenue that is billed in advance includes: monthly recurring network access services (including data services), special access services and monthly recurring voice, video and related charges. The unearned portion of these fees is initially deferred as a component of other liabilities on our consolidated balance sheet and recognized as revenue over the period that the services are provided. Revenue that is billed in arrears includes: non-recurring network access services (including data services), switched access services, non-recurring voice and video services. The earned but unbilled portion of these fees is recognized as revenue in our consolidated statements of operations and accrued in accounts receivable in the period that the services are provided. Excise taxes are recognized as a liability when billed. Installation fees and their related direct and incremental costs are initially deferred and recognized as revenue and expense over the average term of a customer relationship. We recognize as current period expense the portion of installation costs that exceeds installation fee revenue.

As required by law, the Company collects various taxes from its customers and subsequently remits these taxes to governmental authorities. Substantially all of these taxes are recorded through the consolidated balance sheet and presented on a net basis in our consolidated statements of operations. We also collect Universal Service Fund (USF) surcharges from customers (primarily federal USF) that we have recorded on a gross basis in our consolidated statements of operations and included within "Revenue" and "Other operating expenses" of $28.1 million and $28.8 million, and $58.0 million and $58.5 million, for the three and six months ended June 30, 2013 and 2012, respectively.

PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Goodwill and Other Intangibles:
Intangibles represent the excess of purchase price over the fair value of identifiable tangible net assets acquired. We undertake studies to determine the fair values of assets and liabilities acquired and allocate purchase prices to assets and liabilities, including property, plant and equipment, goodwill and other identifiable intangibles. We annually (during the fourth quarter) or more frequently, if appropriate, examine the carrying value of our goodwill and trade name to determine whether there are any impairment losses. We test for goodwill impairment at the "operating segment" level, as that term is defined in U.S. GAAP. During the first quarter of 2013, the Company reorganized into four regional operating segments. Our operating segments consist of the following regions: Central, East, National and West. Our regional operating segments are aggregated into one reportable segment. In conjunction with the reorganization of our operating segments effective with the first quarter of 2013, we reassigned goodwill to our reporting units using a relative fair value allocation approach.

The Company amortizes finite-lived intangible assets over their estimated useful lives and reviews such intangible assets at least annually to assess whether any potential impairment exists and whether factors exist that would necessitate a change in useful life and a different amortization period.

(2) Recent Accounting Literature:

Presentation of Comprehensive Income
In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02 (ASU 2013-02), "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," (ASC Topic 220). ASU 2013-02 requires disclosing the effect of reclassifications out of accumulated other comprehensive income on the respective line items in the components of net income in circumstances when U.S. GAAP requires the item to be reclassified in its entirety to net income. This new guidance is to be applied prospectively. The Company adopted ASU 2013-02 during the fourth quarter of 2012 with no impact on our financial position, results of operations or cash flows.

(3) The Transaction:
On July 1, 2010, we acquired the defined assets and liabilities of the local exchange business and related landline activities of Verizon Communications Inc. (Verizon) in certain states (the Acquired Territories), including Internet access and long distance services and broadband video provided to designated customers in the Acquired Territories (the Acquired Business). Frontier was considered the acquirer of the Acquired Business for accounting purposes.

We accounted for our acquisition of 4.0 million access lines from Verizon (the Transaction) using the guidance included in Accounting Standards Codification (ASC) Topic 805. We incurred $28.6 million and $63.7 million of integration related costs in connection with the Transaction during the three and six months ended June 30, 2012, respectively. Such costs are required to be expensed as incurred and are reflected in "Integration costs" in our consolidated statements of operations. All integration activities were completed as of the end of 2012.

(4) Accounts Receivable:
The components of accounts receivable, net are as follows:

($ in thousands)	June 30, 2013	December 31, 2012
Retail and Wholesale	$ 536,713	$ 581,152
Other	35,276	45,819
Less: Allowance for doubtful accounts	(85,494)	(93,267)
Accounts receivable, net	$ 486,495	$ 533,704

PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We maintain an allowance for bad debts based on our estimate of our ability to collect accounts receivable. Bad debt expense, which is recorded as a reduction to revenue, was $16.1 million and $24.1 million, and $32.3 million and $40.7 million for the three and six months ended June 30, 2013 and 2012, respectively.

(5) Property, Plant and Equipment:
Property, plant and equipment, net is as follows:

($ in thousands)		June 30, 2013		December 31, 2012
Property, plant and equipment	$	14,579,736	$	14,353,763
Less: Accumulated depreciation		(7,217,980)		(6,848,867)
Property, plant and equipment, net	$	7,361,756	$	7,504,896

Depreciation expense is principally based on the composite group method. Depreciation expense was $210.8 million and $208.5 million, and $427.5 million and $418.9 million for the three and six months ended June 30, 2013 and 2012, respectively. As a result of an independent study of the estimated remaining useful lives of our plant assets, we adopted new estimated remaining useful lives for certain plant assets as of October 1, 2012, with an immaterial impact to depreciation expense.

(6) Goodwill and Other Intangibles:
The components of goodwill by the reporting units in effect as of June 30, 2013 are as follows:

($ in thousands)		
Central	$	1,815,498
East		2,003,574
National		1,218,113
West		1,300,534
Total Goodwill	$	6,337,719

The components of other intangibles are as follows:

($ in thousands)		June 30, 2013		December 31, 2012
Other Intangibles:				
Customer base	$	2,427,648	$	2,427,648
Software licenses		105,019		105,019
Trade name and license		124,136		124,419
Other intangibles		2,656,803		2,657,086
Less: Accumulated amortization		(1,287,868)		(1,114,347)
Total other intangibles, net	$	1,368,935	$	1,542,739

Amortization expense was $87.0 million and $98.5 million, and $174.0 million and $245.5 million for the three and six months ended June 30, 2013 and 2012, respectively. Amortization expense primarily represents the amortization of intangible assets (primarily customer base) that were acquired in the Transaction based on a useful life of nine years for the residential customer base and 12 years for the business customer base, amortized on an accelerated method. Amortization expense included $38.3 million for the six months ended June 30, 2012 for amortization associated with certain software licenses no longer required for operations as a result of the completed systems conversions and $10.9 million for the six months ended June 30, 2012 for amortization associated with certain Frontier legacy properties, each of which were fully amortized in 2012.

PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Fair Value of Financial Instruments:
The following table summarizes the carrying amounts and estimated fair values for long-term debt at June 30, 2013 and December 31, 2012. For the other financial instruments, representing cash, accounts receivable, long-term debt due within one year, accounts payable and other current liabilities, the carrying amounts approximate fair value due to the relatively short maturities of those instruments. Other equity method investments, for which market values are not readily available, are carried at cost, which approximates fair value.

The fair value of our long-term debt is estimated based upon quoted market prices at the reporting date for those financial instruments.

	June 30, 2013		December 31, 2012	
($ in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 7,900,922	$ 8,189,282	$ 8,381,947	$ 9,091,416

(8) Long-Term Debt:
The activity in our long-term debt from December 31, 2012 to June 30, 2013 is summarized as follows:

		Six months ended June 30, 2013			
($ in thousands)	December 31, 2012	Payments and Retirements	New Borrowings	June 30, 2013	Interest Rate at June 30, 2013 *
Senior Unsecured Debt	$ 8,919,696	$ (1,533,880)	$ 750,000	$ 8,135,816	7.96%
Industrial Development Revenue Bonds	13,550	-	-	13,550	6.33%
Rural Utilities Service Loan Contracts	9,322	(194)	-	9,128	6.15%
TOTAL LONG-TERM DEBT	$ 8,942,568	$ (1,534,074)	$ 750,000	$ 8,158,494	7.95%
Less: Debt (Discount)/Premium	(71)			333	
Less: Current Portion	(560,550)			(257,905)	

$	8,381,947	$	7,900,922

* Interest rate includes amortization of debt issuance costs and debt premiums or discounts. The interest rates at June 30, 2013 represent a weighted average of multiple issuances.

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PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information regarding our Senior Unsecured Debt is as follows:

($ in thousands)	June 30, 2013		December 31, 2012	
	Principal Outstanding	Interest Rate	Principal Outstanding	Interest Rate
Senior Notes and Debentures Due:				
1/15/2013	$ -	-	$ 502,658	6.250%
5/1/2014	200,000	8.250%	200,000	8.250%
3/15/2015	105,026	6.625%	300,000	6.625%
4/15/2015	96,872	7.875%	374,803	7.875%
10/14/2016 *	488,750	3.075% (Variable)	517,500	3.095% (Variable)
4/15/2017	606,874	8.250%	1,040,685	8.250%
10/1/2018	582,739	8.125%	600,000	8.125%
3/15/2019	434,000	7.125%	434,000	7.125%
4/15/2020	1,021,505	8.500%	1,100,000	8.500%
7/1/2021	500,000	9.250%	500,000	9.250%
4/15/2022	500,000	8.750%	500,000	8.750%
1/15/2023	850,000	7.125%	850,000	7.125%
4/15/2024	750,000	7.625%	-	-
11/1/2025	138,000	7.000%	138,000	7.000%
8/15/2026	1,739	6.800%	1,739	6.800%
1/15/2027	345,858	7.875%	345,858	7.875%
8/15/2031	945,325	9.000%	945,325	9.000%
10/1/2034	628	7.680%	628	7.680%
7/1/2035	125,000	7.450%	125,000	7.450%
10/1/2046	193,500	7.050%	193,500	7.050%
	7,885,816		8,669,696	
Subsidiary Senior Notes and Debentures Due:				
2/15/2028	200,000	6.730%	200,000	6.730%
10/15/2029	50,000	8.400%	50,000	8.400%
Total	$ 8,135,816	7.77% **	$ 8,919,696	7.69% **

* Represents borrowings under the Credit Agreement with CoBank.

** Interest rate represents a weighted average of the stated interest rates of multiple issuances.

PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On April 10, 2013, the Company completed a registered debt offering of $750.0 million aggregate principal amount of 7.625% senior unsecured notes due 2024, issued at a price of 100% of their principal amount. We received net proceeds of $736.9 million from the offering after deducting underwriting fees. The Company used the net proceeds from the sale of the notes, together with cash on hand, to finance the cash tender offers discussed below.

On April 10, 2013, the Company accepted for purchase $471.3 million aggregate principal amount of its senior notes tendered for total consideration of $532.4 million, consisting of $194.2 million aggregate principal amount of the 6.625% senior notes due 2015 (the March 2015 Notes), tendered for total consideration of $216.0 million, and $277.1 million aggregate principal amount of the 7.875% senior notes due 2015 (the April 2015 Notes), tendered for total consideration of $316.4 million. On April 24, 2013, the Company accepted for purchase $0.7 million aggregate principal amount of the March 2015 Notes, tendered for total consideration of $0.8 million, $0.8 million of the April 2015 Notes, tendered for total consideration of $0.9 million, and $225.0 million aggregate principal amount of the 8.250% senior notes due 2017 (the 2017 Notes), tendered for total consideration of $267.7 million. The repurchases in the debt tender offers for the senior notes resulted in a loss on the early extinguishment of debt of approximately $104.9 million, ($64.9 million or $0.06 per share after tax), which was recognized in the second quarter of 2013.

Additionally, during the second quarter of 2013, the Company repurchased $208.8 million of the 2017 Notes in a privately negotiated transaction, along with $17.3 million of its 8.125% senior notes due 2018 and $78.5 million of its 8.500% senior notes due 2020 in open market repurchases. These transactions resulted in a loss on the early extinguishment of debt of $54.9 million ($34.0 million or $0.04 per share after tax), which was recognized in the second quarter of 2013.

The Company has a credit agreement with CoBank, ACB, as administrative agent, lead arranger and a lender, and the other lenders party thereto, for a $575.0 million senior unsecured term loan with a final maturity of October 14, 2016 (the Credit Agreement). The entire loan was drawn upon execution of the Credit Agreement in October 2011. Repayment of the outstanding principal balance is made in quarterly installments in the amount of $14.4 million, which commenced on March 31, 2012, with the remaining outstanding principal balance to be repaid on the final maturity date. Borrowings under the Credit Agreement bear interest based on the margins over the Base Rate (as defined in the Credit Agreement) or LIBOR, at the election of the Company. Interest rate margins under the facility (ranging from 0.875% to 2.875% for Base Rate borrowings and 1.875% to 3.875% for LIBOR borrowings) are subject to adjustments based on the Total Leverage Ratio of the Company, as such term is defined in the Credit Agreement. The current pricing on this facility is LIBOR plus 2.875%. The maximum permitted leverage ratio is 4.5 times.

On May 3, 2013, the Company entered into a new $750.0 million revolving credit facility (the Revolving Credit Facility) and terminated the Company's previously existing revolving credit facility. As of June 30, 2013, no borrowings had been made under the Revolving Credit Facility. The terms of the Revolving Credit Facility are set forth in the credit agreement, dated as of May 3, 2013, among the Company, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and the joint lead arrangers, joint bookrunners, syndication agent and joint documentation agents named therein (the Revolving Credit Agreement). Associated commitment fees under the Revolving Credit Facility will vary from time to time depending on the Company's debt rating (as defined in the Revolving Credit Agreement) and were 0.400% per annum as of June 30, 2013. The Revolving Credit Facility is scheduled to terminate on November 3, 2016. During the term of the Revolving Credit Facility, the Company may borrow, repay and reborrow funds, and may obtain letters of credit, subject to customary borrowing conditions. Loans under the Revolving Credit Facility will bear interest based on the alternate base rate or the adjusted LIBO rate (each as determined in the Revolving Revolving Credit Agreement), at the Company's election, plus a margin specified in the Revolving Credit Agreement based on the Company's debt rating. Letters of credit issued under the Revolving Credit Facility will also be subject to fees that vary depending on the Company's debt rating. The Revolving Credit Facility is available for general corporate purposes but may not be used to fund dividend payments.

PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We also have a $20.0 million unsecured letter of credit facility, as amended. The terms of the letter of credit facility are set forth in a Credit Agreement, dated as of September 8, 2010, among the Company, the Lenders party thereto, and Deutsche Bank AG, New York Branch (the Bank), as Administrative Agent and Issuing Bank (the Letter of Credit Agreement). An initial letter of credit for $190.0 million was issued to the West Virginia Public Service Commission to guarantee certain of our capital investment commitments in West Virginia in connection with the Transaction. The initial commitments under the Letter of Credit Agreement expired in September 2011, with the Bank exercising its option to extend $100.0 million of the commitments to September 2012. In September 2012, the Company entered into an amendment to the Letter of Credit Agreement to extend $40 million of the commitments. Two letters of credit, one for $20 million that expired in March 2013, and the other for $20 million expiring in September 2013, were issued in September 2012. The Company is required to pay an annual facility fee on the available commitment, regardless of usage. The covenants binding on the Company under the terms of the amended Letter of Credit Agreement are substantially similar to those in the Company's other credit facilities, including limitations on liens, substantial asset sales and mergers, subject to customary exceptions and thresholds.

As of June 30, 2013, we were in compliance with all of our debt and credit facility financial covenants.

Our principal payments for the next five years are as follows as of June 30, 2013:

($ in thousands)	Principal Payments
2013 (remaining six months)	$ 28,948
2014	$ 257,916
2015	$ 259,840
2016	$ 345,466
2017	$ 607,375
2018	$ 583,273

(9) Income Taxes:
The following is a reconciliation of the provision for income taxes computed at federal statutory rates to the effective rates:

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Consolidated tax provision at federal statutory rate	35.0%	35.0%	35.0%	35.0%
State income tax provisions, net of federal income tax benefit	9.2	3.1	(8.2)	2.8
Noncontrolling interest	(0.6)	(1.4)	-	(1.1)
Tax reserve adjustment	7.7	(2.1)	(15.4)	(0.2)
Changes in certain deferred tax balances	(10.6)	-	22.6	-
IRS audit adjustments	(9.0)	-	19.3	-

All other, net	1.1	0.2	0.8	0.2
Effective tax rate	32.8%	34.8%	54.1%	36.7%

Income taxes for the three and six months ended June 30, 2013 include the impact of a charge of $5.2 million resulting from the settlement of the 2010 IRS audit and a $6.0 million charge resulting from the adjustment of deferred tax balances, partially offset by a $4.4 million benefit from the net reversal of reserves for uncertain tax positions.

The amount of our uncertain tax positions whose statute of limitations are expected to expire during the next twelve months and which would affect our effective tax rate is $2.4 million as of June 30, 2013.

PART I. FINANCIAL INFORMATION (Continued)
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(10) Net Income (Loss) Per Common Share:
The reconciliation of the net income (loss) per common share calculation is as follows:

($ and shares in thousands, except per share amounts)	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Net income (loss) used for basic and diluted earnings per common share:				
Net income (loss) attributable to common shareholders of Frontier	$ (38,460)	$ 17,989	$ 9,680	$ 44,757
Less: Dividends paid on unvested restricted stock awards	(755)	(735)	(1,276)	(1,472)
Total basic and diluted net income (loss) attributable to common shareholders of Frontier	$ (39,215)	$ 17,254	$ 8,404	$ 43,285
Basic earnings per common share:				
Total weighted average shares and unvested restricted stock awards outstanding - basic	999,234	998,462		