

FRONTIER COMMUNICATIONS CORP

Form S-4/A

September 14, 2009

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As Filed with the Securities and Exchange Commission on September 14, 2009

Registration No. 333-160789

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FRONTIER COMMUNICATIONS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	4813 (Primary Standard Industrial Classification Code Number) 3 High Ridge Park	06-0619596 (I.R.S. Employer Identification No.)
--	--	--

Stamford, Connecticut 06905

(203) 614-5600

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Hilary E. Glassman, Esq.

Senior Vice President, General Counsel and Secretary

Frontier Communications Corporation

3 High Ridge Park

Stamford, Connecticut 06905

(203) 614-5600

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service of Process)

Copies to:

Craig F. Arcella, Esq.	William L. Horton, Jr., Esq.	Steven J. Slutzky, Esq.
Cravath, Swaine & Moore LLP	Verizon Communications Inc.	Debevoise & Plimpton LLP
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825 Eighth Avenue	New York, New York 10007	New York, New York 10022
New York, New York 10019	(212) 395-1000	(212) 909-6000
(212) 474-1000		

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement and the date on which all other conditions to the merger of New Communications Holdings Inc. with and into Frontier Communications Corporation pursuant to the merger agreement described in the enclosed proxy statement/prospectus have been satisfied or waived.

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If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller Reporting Company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross Border Third-Party Tender Offer)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement filed with the Securities and Exchange Commission becomes effective. This proxy statement/prospectus is not an offer to sell these securities, nor a solicitation of an offer to buy these securities, in any jurisdiction where the offer, sale or solicitation is not permitted.

PRELIMINARY-SUBJECT TO COMPLETION, DATED SEPTEMBER 14, 2009

3 High Ridge Park, Stamford, CT 06905
(203) 614-5600

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Fellow Stockholders:

As previously announced, the board of directors of Frontier Communications Corporation, referred to as Frontier, has unanimously approved a merger that will combine Frontier with New Communications Holdings Inc., referred to as Spinco, a newly formed subsidiary of Verizon Communications Inc., referred to as Verizon. Immediately prior to the merger, Spinco (1) will hold defined assets and liabilities of the local exchange business and related landline activities of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, and in portions of California bordering Arizona, Nevada and Oregon, collectively referred to as the Spinco territory, including Internet access and long distance services and broadband video provided to designated customers in the Spinco territory, collectively referred to as the Spinco business, and (2) will be spun off to Verizon stockholders. The merger will result in Frontier acquiring approximately 4.8 million access lines (assuming the transactions were consummated on December 31, 2008) and certain related business assets from Verizon. Pursuant to the Agreement and Plan of Merger, dated as of May 13, 2009, as amended, by and among Verizon, Spinco and Frontier, referred to as the merger agreement, Spinco will merge with and into Frontier, and Frontier will survive as the combined company conducting the combined business operations of Frontier and Spinco. The merger will take place immediately after Verizon contributes the Spinco business to Spinco and distributes the common stock of Spinco to a third-party distribution agent for the benefit of Verizon stockholders. Following the merger, the separate existence of Spinco will cease and the combined company will continue to operate under the Frontier name and its common stock will continue to be listed on the New York Stock Exchange and traded under the ticker symbol

FTR. Frontier's current management team will continue to manage the combined company after the merger and nine of Frontier's twelve board members will continue as members of the board of the combined company.

Pursuant to the merger agreement, Frontier will issue an aggregate number of shares of its common stock to Verizon stockholders equal to (1) \$5,247,000,000, divided by (2) the average of the volume-weighted averages of the trading prices of Frontier common stock for the 30 consecutive trading days ending on the third trading day before the closing of the merger, referred to as the Frontier average price. **The aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement will therefore change depending on the Frontier average price, and will not be known until the closing of the merger.** However, the merger agreement provides that if the Frontier average price, as calculated, exceeds \$8.50, then the Frontier average price will be \$8.50, and if the Frontier average price, as calculated, is less than \$7.00, then the Frontier average price will be \$7.00. Additionally, the dollar amount referred to in clause (1) above is subject to increase by any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off. As a result, the number of shares of Frontier common stock issuable pursuant to the merger agreement may increase, and any such increase could be significant.

Depending on the trading prices of Frontier common stock prior to the closing of the merger, Verizon stockholders will collectively own between approximately 66% and 71% of the combined company's outstanding equity immediately following the closing of the merger, and Frontier stockholders will collectively own between approximately 29% and 34% of the combined company's outstanding equity immediately following the closing of the merger (in each case, before accounting for the elimination of fractional shares and any amounts paid, payable or forgone by Verizon related to governmental approvals, as described above).

For a more complete discussion of the calculation of the number of shares of Frontier common stock to be issued pursuant to the merger agreement, see the section entitled "The Transactions - Calculation of Merger Consideration"

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on page 44 of this proxy statement/prospectus. Existing shares of Frontier common stock will remain outstanding after the merger. Verizon will not receive any shares of Frontier common stock in the merger. In connection with the spin-off, Verizon will receive from Spinco \$3.333 billion in aggregate value in the form of a special cash payment, a reduction in the consolidated indebtedness of Verizon as a result of pre-existing long-term indebtedness to third parties (which may include current maturities) of Verizon subsidiaries that conduct the Spinco business becoming the consolidated indebtedness of Spinco as a result of the spin-off (and, as a result of the merger, becoming part of the consolidated indebtedness of the combined company) and, in certain circumstances, senior unsecured debt securities of Spinco.

We cordially invite you to attend the special meeting of Frontier stockholders to be held on _____ at _____, at _____, local time. At the special meeting, we will ask you to consider and vote on proposals, which we refer to as the merger proposals, to adopt the merger agreement, amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock and approve the issuance of Frontier common stock pursuant to the merger agreement. **Frontier's Board of Directors has unanimously approved the merger agreement and the merger and unanimously recommends that Frontier stockholders vote FOR the merger proposals.** The approval of each of the merger proposals is conditioned upon the approval of each of the other merger proposals.

Your vote is very important, regardless of the number of shares you own. We cannot complete the merger unless all of the merger proposals are approved by Frontier stockholders at the special meeting (and the other conditions to the closing of the merger have been satisfied). Only stockholders who owned shares of Frontier common stock at the close of business on September 14, 2009 will be entitled to vote at the special meeting. **Whether or not you plan to be present at the special meeting, please complete, sign, date and return your proxy card in the enclosed envelope, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card.** If you hold your shares in street name, you should instruct your broker how to vote your shares in accordance with your voting instruction form. If you do not submit your proxy by completing, signing, dating and returning the enclosed proxy card by mail, by calling the toll-free telephone number or by using the Internet as described in the proxy card, or if you do not instruct your broker how to vote your shares or vote in person at the special meeting, it will have the same effect as a vote against the adoption of the merger agreement and the amendment of Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock (though it will have no effect on the vote to approve the issuance of Frontier common stock pursuant to the merger agreement), and may result in the failure to establish a quorum for the special meeting.

This proxy statement/prospectus explains the merger, the merger agreement and the transactions contemplated thereby and provides specific information concerning the special meeting. **Please review this document carefully. You should carefully consider, before voting, the matters discussed under the heading Risk Factors beginning on page 24 of this proxy statement/prospectus. On or about _____, 2009, Frontier will begin mailing to its stockholders this proxy statement/prospectus and the accompanying proxy card.**

On behalf of our board of directors, I thank you for your support and appreciate your consideration of this matter.

Cordially,

Mary Agnes Wilderotter

Chairman of the Board of Directors,

President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the merger described in this proxy statement/prospectus or the Frontier common stock to be issued pursuant to the merger agreement, or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this proxy statement/prospectus is _____, 2009.

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Dear Stockholders:

On May 13, 2009, we announced that Verizon intends to spin off to you as our stockholders the shares of a subsidiary company. That subsidiary, New Communications Holdings Inc., referred to as Spinco, will hold defined assets and liabilities of the local exchange business and related landline activities of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin and in portions of California that border Arizona, Nevada and Oregon, including Internet access and long distance services and broadband video provided to designated customers in those areas.

In connection with the spin-off, Spinco will provide Verizon with \$3.333 billion in aggregate value in the form of:

A special cash payment;

A reduction in Verizon's consolidated indebtedness; and

In certain circumstances, senior unsecured debt securities of Spinco.

After the spin-off, Spinco will merge with and into Frontier Communications Corporation, referred to as Frontier. Frontier will continue to be a separately traded public company.

As a result of the merger, Verizon stockholders will receive shares of Frontier common stock. **You will not be required to pay for any shares of Frontier common stock that you receive and you will also continue to retain all of your shares of Verizon common stock.**

Assuming the merger had closed on _____, 2010, we estimate that Verizon stockholders would have received one share of Frontier common stock for every _____ shares of Verizon common stock that they owned on that date. This information statement/prospectus describes the calculation that will be used to determine the actual number of shares of Frontier common stock that Verizon stockholders will receive. The calculation is based on several factors, including the number of shares of Verizon common stock outstanding on the record date for the spin-off, the average of the volume-weighted averages of the trading prices of Frontier's common stock for the 30 consecutive trading days ending on the third trading day before the closing of the merger, and any amounts paid, payable or forgone by Verizon pursuant to orders or settlements related to governmental approvals required to complete the merger or the spin-off.

The Verizon Board of Directors has considered these transactions and has determined that they are in the best interests of Verizon and its stockholders.

Verizon stockholders are not required to and will not vote on the spin-off or the merger. However, this information statement/prospectus describes in detail Spinco, the combined company and its business, and the transactions and terms of the transactions, including the method for calculating the number of shares of Frontier common stock that Verizon stockholders will receive. This document is also a prospectus and it describes the Frontier common stock that Verizon stockholders will receive in the merger. I encourage you to read it carefully.

Sincerely,

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3 High Ridge Park, Stamford, CT 06905
(203) 614-5600

, 2009

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held , 2009

To the Stockholders of

FRONTIER COMMUNICATIONS CORPORATION:

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders of Frontier Communications Corporation will be held at , on , 2009, at , local time, for the following purposes:

- (1) To adopt the Agreement and Plan of Merger, dated as of May 13, 2009, as amended by Amendment No. 1 thereto, dated as of July 24, 2009, referred to as the merger agreement, by and among Verizon Communications Inc., referred to as Verizon, New Communications Holdings Inc., referred to as Spinco, and Frontier Communications Corporation, referred to as Frontier, pursuant to which Spinco will merge with and into Frontier, after which Frontier will survive as the combined company conducting the combined business operations of Frontier and Spinco;
- (2) To amend the Restated Certificate of Incorporation of Frontier, as amended, to increase the number of authorized shares of Frontier common stock from 600,000,000 to 1,750,000,000;
- (3) To approve the issuance of Frontier common stock pursuant to the merger agreement; and
- (4) To transact any other business that may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

Proposals (1) through (3) above are collectively referred to as the merger proposals.

Frontier's board of directors, referred to as the Frontier board, fixed the close of business on September 14, 2009 as the record date for determining stockholders entitled to notice of and to vote at the special meeting or any adjournment or postponement of the special meeting. At the close of business on September 14, 2009, there were shares of Frontier common stock entitled to vote at the special meeting. A complete list of stockholders entitled to vote at the special meeting will be open to the examination of stockholders on the meeting date and for a period of ten days prior to the special meeting at Frontier's offices at 3 High Ridge Park, Stamford, Connecticut 06905, during ordinary business hours.

THE FRONTIER BOARD HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE MERGER AND UNANIMOUSLY RECOMMENDS THAT FRONTIER STOCKHOLDERS VOTE FOR THE MERGER PROPOSALS. STOCKHOLDER APPROVAL OF EACH MERGER PROPOSAL IS NECESSARY TO EFFECT THE MERGER. THE APPROVAL OF EACH OF THE MERGER PROPOSALS IS CONDITIONED UPON THE APPROVAL OF EACH OF THE OTHER MERGER PROPOSALS.

Whether or not you plan to attend the special meeting, please complete, sign, date and return the accompanying proxy card promptly or authorize the individuals named on your proxy card to vote your shares by calling the toll-free number or by using the Internet as described in the instructions included with your proxy card, so that your shares may be represented and voted at the special meeting. A return envelope is enclosed for your convenience.

By Order of the Board of Directors

Hilary E. Glassman

Senior Vice President, General Counsel and Secretary

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates additional information about Frontier that is not included in or delivered with this proxy statement/prospectus. Copies of Frontier's filings with the Securities and Exchange Commission, referred to as the SEC, are available to Frontier stockholders without charge by request made to Frontier in writing, by telephone or by e-mail with the following contact information or through Frontier's website at www.frontier.com:

Frontier Communications Corporation

Attn: Investor Relations Department

3 High Ridge Park

Stamford, Connecticut 06905

Telephone: (866) 491-5249

E-mail: frontier@frontiercorp.com

To ensure timely delivery, Frontier stockholders must request the information no later than _____, 2009.

Frontier stockholders who have questions about the merger, the special meeting or any other matter described in this proxy statement/prospectus should contact:

Frontier Communications Corporation

Attn: Investor Relations Department

3 High Ridge Park

Stamford, Connecticut 06905

Telephone: (866) 491-5249

E-mail: frontier@frontiercorp.com

Frontier stockholders who need assistance in voting their shares or need a copy of this proxy statement/prospectus should contact:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Call Collect: (212) 929-5500

Toll-Free: (800) 322-2885

E-mail: proxy@mackenziepartners.com

Verizon stockholders who have questions regarding the spin-off, the merger or any other matter described in this proxy statement/prospectus should contact:

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Investor Relations

Verizon Communications Inc.

One Verizon Way

Basking Ridge, NJ 07920

Telephone: (212) 395-1525

Frontier makes available on its website at www.frontier.com its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to these reports as soon as reasonably practicable after it files these materials with, or furnishes these materials to, the SEC. Frontier's filings with the SEC are available to the public over the Internet at the SEC's website at www.sec.gov, or at the SEC's public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room.

Unless the context otherwise requires, references in this proxy statement/prospectus to Frontier mean Frontier Communications Corporation, together with its subsidiaries, and references to Verizon mean Verizon Communications Inc., together with its subsidiaries. Neither Cellco Partnership doing business as Verizon Wireless, referred to as Cellco, nor any of its subsidiaries is deemed to be a subsidiary or an affiliate of Verizon for purposes of the distribution agreement or the merger agreement.

ALL INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS WITH RESPECT TO VERIZON OR SPINCO AND THEIR RESPECTIVE SUBSIDIARIES HAS BEEN PROVIDED BY VERIZON. ALL OTHER INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS, INCLUDING PRO FORMA INFORMATION, HAS BEEN PROVIDED BY FRONTIER.

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QUESTIONS AND ANSWERS

Q: What are Frontier stockholders being asked to vote on at the special meeting?

A: Frontier stockholders are being asked to consider and vote on proposals, referred to as the merger proposals, to adopt the merger agreement, amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock and approve the issuance of Frontier common stock pursuant to the merger agreement. Approval of each of the merger proposals by Frontier stockholders is required for the completion of the merger. The approval of each of the merger proposals is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved.

Q: When and where is the special meeting of Frontier stockholders?

A: The special meeting of Frontier stockholders will be held at _____, local time, on _____, at _____.

Q: Who can vote at the special meeting of Frontier stockholders?

A: Holders of Frontier common stock can vote their shares at the special meeting if they are holders of record of those shares at the close of business on September 14, 2009, the record date for the special meeting.

Q: What vote is required to approve each proposal?

A: The proposal to adopt the merger agreement and the proposal to amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock each require the affirmative vote of holders of a majority of the outstanding shares of Frontier common stock entitled to vote on the proposal. The proposal to approve the issuance of shares of Frontier common stock pursuant to the merger agreement requires the affirmative vote of a majority of the votes cast on the proposal by holders of Frontier common stock entitled to vote on that proposal. However, the approval of each of the merger proposals is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved.

Q: How do Frontier stockholders vote?

A: Frontier stockholders may submit a proxy to vote before the special meeting in one of the following ways:

calling the toll-free number shown on the proxy card to submit a proxy by telephone;

visiting the website shown on the proxy card to submit a proxy via the Internet; or

completing, signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

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Frontier stockholders may also vote in person by attending the special meeting and voting their shares.

Q: If a Frontier stockholder is not going to attend the special meeting, should the stockholder return his or her proxy card or otherwise vote his or her shares?

A: Yes. Completing, signing, dating and returning the proxy card by mail or submitting a proxy by calling the toll-free number shown on the proxy card or submitting a proxy by visiting the website shown on the proxy card ensures that the stockholder's shares will be represented and voted at the special meeting, even if the stockholder is unable to or does not attend.

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Q: If a Frontier stockholder's shares are held in street name by his or her broker, will the broker vote the shares for the stockholder?

A: A broker will vote a stockholder's shares only if the stockholder provides instructions to the broker on how to vote. Stockholders should follow the directions provided by their brokers regarding how to instruct the broker to vote their shares. Without instructions, the shares will not be voted, which will have the effect of a vote against the adoption of the merger agreement and the amendment of Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock (though it will have no effect on the vote to approve the issuance of Frontier common stock pursuant to the merger agreement), and may result in the failure to establish a quorum for the special meeting.

Q: Can Frontier stockholders change their vote?

A: Yes. Holders of record of Frontier common stock who have properly completed and submitted their proxy card or proxy by telephone or Internet can change their vote in any of the following ways:

 sending a written notice to the corporate secretary of Frontier that is received prior to the special meeting stating that the stockholder revokes his or her proxy;

 properly completing, signing and dating a new proxy card bearing a later date and properly submitting it so that it is received prior to the special meeting;

 visiting the website shown on the proxy card and submitting a new proxy in the same manner that the stockholder would to submit his or her proxy via the Internet or by calling the toll-free number shown on the proxy card to submit a new proxy by telephone; or

 attending the special meeting in person and voting their shares.

Simply attending the special meeting will not revoke a proxy.

A Frontier stockholder whose shares are held in street name by his or her broker and who has directed that person to vote his or her shares should instruct that person in order to change his or her vote.

Q: What if Frontier stockholders do not vote or abstain from voting?

A: If a holder of Frontier common stock fails to submit his or her proxy or vote his or her shares or fails to instruct his or her broker or other nominee how to vote on the proposals to adopt the merger agreement and to amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock, that failure will have the same effect as a vote against those proposals. If a holder of Frontier common stock fails to submit his or her proxy or vote his or her shares or fails to instruct his or her broker or other nominee how to vote on the proposal to issue shares of Frontier common stock pursuant to the merger agreement, that failure will have no effect on that proposal, assuming a quorum is present at the special meeting.

Holders of Frontier common stock who submit proxy cards but do not indicate how they want to vote on a particular proposal will have their proxies counted as votes in favor of that proposal.

Q: Does the Frontier board support the merger?

A: Yes. The Frontier board has unanimously approved the merger agreement and the merger and unanimously recommends that Frontier stockholders vote FOR the merger proposals.

Q: What should Frontier stockholders do now?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, Frontier stockholders should submit a proxy by mail, via the Internet or by telephone to vote their shares as

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soon as possible so that their shares will be represented and voted at the special meeting. Frontier stockholders should follow the instructions set forth on the enclosed proxy card or on the voting instruction form provided by the record holder if their shares are held in the name of a broker or other nominee.

Q: What are the transactions described in this proxy statement/prospectus?

A: References to the transactions are to the spin-off, the merger and the related transactions to be entered into by Verizon, Spinco and Frontier, including their respective affiliates, as described under The Transactions and elsewhere in this proxy statement/prospectus.

Q: What will happen in the spin-off?

A: Pursuant to the distribution agreement, dated as of May 13, 2009, as amended by Amendment No. 1 thereto, dated as of July 24, 2009, by and between Verizon and Spinco, referred to as the distribution agreement, Verizon will contribute to Spinco defined assets and liabilities of the local exchange business and related landline activities of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, and in portions of California bordering Arizona, Nevada and Oregon, collectively referred to as the Spinco territory, including Internet access and long distance services and broadband video provided to designated customers in the Spinco territory, collectively referred to as the Spinco business.

In connection with these contributions, Verizon will receive from Spinco \$3.333 billion in aggregate value in the form of:

a special cash payment;

a reduction in the consolidated indebtedness of Verizon as a result of pre-existing long-term indebtedness to third parties (which may include current maturities) of Verizon subsidiaries that conduct the Spinco business (referred to as the distribution date indebtedness) becoming the consolidated indebtedness of Spinco as a result of the spin-off (and, as a result of the merger, becoming part of the consolidated indebtedness of the combined company), referred to as the Verizon debt reduction; and

if required, senior unsecured debt securities of Spinco, referred to as the Spinco debt securities.

Also in connection with these contributions, Spinco will issue additional shares of Spinco common stock to Verizon, which will be distributed in the spin-off as described below.

No Spinco debt securities will be issued to Verizon if the special cash payment plus the distribution date indebtedness equals \$3.333 billion. The amount of the special cash payment from Spinco will not exceed the lesser of (i)(x) \$3.333 billion minus (y) the aggregate amount of distribution date indebtedness and (ii) Verizon's estimate of the tax basis in the assets transferred to Spinco. Verizon currently anticipates that Verizon's tax basis in the assets to be transferred to Spinco will be greater than or equal to \$3.333 billion. The parties do not expect that any Spinco debt securities will be issued.

No later than nine months after the date of the merger agreement, Frontier and Verizon will jointly solicit proposals from reputable financing sources to provide Spinco with debt financing in the form of one or more term loan bank borrowings or capital markets issuances by Spinco prior to or substantially contemporaneous with the spin-off, referred to as the special cash payment financing, in order to finance the special cash payment to Verizon. See Financing of the Combined Company.

Immediately prior to the merger, Verizon will spin off Spinco by distributing all of the shares of Spinco common stock to a third-party distribution agent to be held for the benefit of Verizon stockholders. Spinco will then merge with and into Frontier, and the shares of Spinco common stock will be immediately converted into that number of shares of Frontier common stock that Verizon stockholders will be entitled to

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receive in the merger. The third-party distribution agent will then distribute shares of Frontier common stock and cash in lieu of fractional shares to Verizon stockholders on a pro rata basis in accordance with the terms of the merger agreement.

Q: What will happen in the merger?

A: In the merger, Spinco will merge with and into Frontier in accordance with the terms of the merger agreement. Spinco will no longer be a separate company, and Frontier will survive the merger as a stand-alone company, also referred to as the combined company, holding and conducting the combined business operations of Frontier and Spinco.

Q: What will Verizon stockholders be entitled to receive pursuant to the merger?

A: As a result of the merger, Verizon stockholders will receive an aggregate number of shares of Frontier common stock equal to (1) \$5,247,000,000, divided by (2) the average of the volume-weighted averages of the trading prices of Frontier common stock, referred to as the Frontier average price, for the 30 consecutive trading days ending on the third trading day before the closing of the merger, referred to as the Frontier average price calculation period. The aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement will therefore change depending on the Frontier average price. However, the merger agreement provides that if the Frontier average price, as calculated, exceeds \$8.50, then the Frontier average price will be \$8.50, and if the Frontier average price, as calculated, is less than \$7.00, then the Frontier average price will be \$7.00. These limitations on the Frontier average price are referred to as the collar. Additionally, the amount referred to in clause (1) above may be increased by any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off. As a result, the number of shares of Frontier common stock issuable pursuant to the merger agreement may increase, and any such increase could be significant.

Depending on the trading prices of Frontier common stock prior to the closing of the merger and before accounting for the elimination of fractional shares and any amounts related to governmental approvals paid, payable or forgone by Verizon as described above, Verizon stockholders will collectively own between approximately 66% and 71% of the combined company's outstanding equity immediately following the closing of the merger, and Frontier stockholders will collectively own between approximately 29% and 34% of the combined company's outstanding equity immediately following the closing of the merger. Each Verizon stockholder will receive a number of shares of Frontier common stock equal to the product of the aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement multiplied by a fraction, the numerator being the number of shares of Verizon common stock owned by that stockholder as of the record date for the spin-off and the denominator being the total number of shares of Verizon common stock outstanding as of that record date plus the total number of shares of Verizon common stock issuable pursuant to employee stock options held on that record date and exercised by the holders thereof between that record date and the date of the spin-off.

For example, if the closing of the merger had occurred on September 10, 2009, based on the average of the volume-weighted averages of the trading prices of Frontier common stock for the 30 consecutive trading days ending September 4, 2009 (the third trading day before September 10, 2009), as reported by the New York Stock Exchange, referred to as the NYSE, the Frontier average price would have equaled \$7.03. Prior to the elimination of fractional shares and assuming no adjustment was required for any amounts related to governmental approvals as described above, Verizon stockholders would have received an aggregate of 746,372,688 shares of Frontier common stock in the merger. This amount would have represented approximately 70.5% of the combined company's equity immediately after the closing of the merger if the closing had occurred on that date. Based on these assumptions, each Verizon stockholder would have received one share of Frontier common stock for approximately every 3.8059 shares of Verizon common stock the Verizon stockholder owned on the assumed record date for the spin-off. However, any change in

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the Frontier average price from the sample calculation of the Frontier average price used in the above example will, subject to the collar, cause the aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement (and the per share consideration to be received by Verizon stockholders in the merger) to change. In addition, any changes resulting from adjustments required for amounts related to governmental approvals as described above will cause the aggregate number of shares of Frontier common stock to be issued (and the per share consideration to be received by Verizon stockholders) to change, and any change in the number of shares of Verizon common stock outstanding prior to the record date of the spin-off (together with any shares of Verizon common stock issued pursuant to the exercise of Verizon stock options between the record date for the spin-off and the date of the spin-off) will cause the per share consideration to be received by Verizon stockholders to change. The amount of any such change could be significant.

No fractional shares of Frontier common stock will be issued to Verizon stockholders in the merger. Each Verizon stockholder will receive a cash payment in lieu of any fractional share of Frontier common stock to which he or she would otherwise be entitled. See [The Transaction Agreements](#) [Merger Agreement](#) [Merger Consideration](#) and [Material United States Federal Income Tax Consequences of the Spin-Off and the Merger](#) [The Merger](#).

Q: Will Verizon stockholders who sell their shares of Verizon common stock shortly before the completion of the spin-off and the merger still be entitled to receive shares of Frontier common stock with respect to the shares of Verizon common stock that were sold?

A: It is currently expected that beginning not earlier than two business days before the record date to be established for the spin-off, and continuing through the closing date of the merger (or the previous business day, if the merger closes before the opening of trading in Verizon common stock and Frontier common stock on the NYSE on the closing date), there will be two markets in Verizon common stock on the NYSE: a regular way market and an ex-distribution market.

If a Verizon stockholder sells shares of Verizon common stock in the regular way market under the symbol VZ during this time period, that Verizon stockholder will be selling both his or her shares of Verizon common stock and the right (represented by a due-bill) to receive shares of Spinco common stock that will be converted into shares of Frontier common stock, and cash in lieu of fractional shares (if any), at the closing of the merger. Verizon stockholders should consult their brokers before selling their shares of Verizon common stock in the regular way market during this time period to be sure they understand the effect of the NYSE due-bill procedures. The due-bill process is not managed, operated or controlled by Verizon.

If a Verizon stockholder sells shares of Verizon common stock in the ex-distribution market during this time period, that Verizon stockholder will be selling only his or her shares of Verizon common stock, and will retain the right to receive shares of Spinco common stock that will be converted into shares of Frontier common stock, and cash in lieu of fractional shares (if any), at the closing of the merger. It is currently expected that ex-distribution trades of Verizon common stock will settle within three business days after the closing date of the merger and that if the merger is not completed all trades in this ex-distribution market will be cancelled.

After the closing date of the merger, shares of Verizon common stock will no longer trade in the ex-distribution market, and shares of Verizon common stock that are sold in the regular way market will no longer reflect the right to receive shares of Spinco common stock that will be converted into shares of Frontier common stock, and cash in lieu of fractional shares (if any), at the closing of the merger.

Q: How may Verizon stockholders sell the shares of Frontier common stock which they are entitled to receive pursuant to the merger agreement prior to receiving those shares of Frontier common stock?

A: It is currently expected that beginning not earlier than two business days before the record date to be established for the spin-off, and continuing through the closing date of the merger (or the previous business day, if the merger closes before the opening of trading in Verizon common stock and Frontier common

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stock on the NYSE on the closing date), there will be two markets in Frontier common stock on the NYSE: a regular way market and a when issued market.

The regular way market will be the regular trading market for issued shares of Frontier common stock under the symbol FTR.

The when issued market will be a market for the shares of Frontier common stock that will be issued to Verizon stockholders at the closing of the merger. If a Verizon stockholder sells shares of Frontier common stock in the when issued market during this time period, that Verizon stockholder will be selling his or her right to receive shares of Frontier common stock at the closing of the merger. It is currently expected that when issued trades of Frontier common stock will settle within three business days after the closing date of the merger and that if the merger is not completed, all trades in this when issued market will be cancelled. After the closing date of the merger, shares of Frontier common stock will no longer trade in this when issued market.

Q. In what ways will being a stockholder of both Verizon and the combined company differ from being a stockholder of Verizon?

- A. Following the spin-off and the merger, Verizon stockholders will continue to own all of their shares of Verizon common stock. Their rights as Verizon stockholders will not change, except that their shares of Verizon common stock will represent an interest in Verizon that no longer includes the ownership and operation of the Spinco business. Verizon stockholders will also separately own stock of the combined company, which will include the combined business operations of Frontier and Spinco.

The combined company's business will differ in several important ways from that of Verizon:

The combined company's business will focus on providing a broad array of communications services to business and residential customers in the markets currently served by Frontier and the Spinco business, while Verizon will focus on providing wireless voice and data products and services, and converged communications, information and entertainment services over its advanced fiber-optic network in the United States, as well as expansive end-to-end global Internet Protocol (IP) networks to business and government customers around the world;

The combined company will be significantly smaller than Verizon; and

Although Frontier expects the combined company to obtain an investment grade credit rating in the future, immediately after the closing of the merger the combined company is expected to have a higher amount of indebtedness relative to its market capitalization than Verizon, and may be subject to higher financing costs and more restrictive debt covenants than Verizon.

For a more complete description of the characteristics of the combined company's business, see Description of the Business of the Combined Company.

Q: Will the spin-off and the merger affect employees and former employees of Verizon who hold Verizon stock options and other stock-based awards?

- A: Yes. Pursuant to the terms of the plans under which those Verizon stock options and other stock-based awards were issued, Verizon expects to adjust the exercise price of and number of shares of Verizon stock underlying the outstanding options to take into account any decrease in the value of Verizon common stock immediately following the spin-off and the merger. Also, holders of Verizon restricted stock units and Verizon performance stock units will receive additional units equivalent to the cash value of the Frontier common stock that they would have received with respect to each hypothetical share of Verizon common stock held in respect of those units. See The Transactions Effects of the Merger and Spin-Off on Verizon Stock Options and Other Verizon Stock-Based Awards.

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Q: Has Verizon set a record date for the distribution of shares of Spinco common stock in the spin-off?

A: No. Verizon will publicly announce the record date for the spin-off when the record date has been determined. This announcement will be made prior to the completion of the spin-off and the merger.

Q: Are Verizon stockholders required to do anything?

A: Verizon stockholders are not required to take any action to approve the spin-off or the merger. However, Verizon stockholders should carefully read this proxy statement/prospectus, which contains important information about the spin-off, the merger, Spinco, Frontier and the combined company. After the merger, Frontier will mail to holders of Verizon common stock who are entitled to receive shares of Frontier common stock book-entry statements evidencing their ownership of Frontier common stock, cash payments in lieu of fractional shares (if any) and related tax information, and other information regarding their receipt of Frontier common stock.

VERIZON STOCKHOLDERS WILL NOT BE REQUIRED TO SURRENDER THEIR SHARES OF VERIZON COMMON STOCK IN THE SPIN-OFF OR THE MERGER AND THEY SHOULD NOT RETURN THEIR VERIZON STOCK CERTIFICATES. THE SPIN-OFF AND THE MERGER WILL NOT RESULT IN ANY CHANGE IN VERIZON STOCKHOLDERS' OWNERSHIP OF VERIZON COMMON STOCK FOLLOWING THE MERGER.

Q: How will the rights of stockholders of Frontier and Verizon change after the merger?

A: The rights of stockholders of Frontier will not change as a result of the merger. Except for the amendment of Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock as described in this proxy statement/prospectus, Frontier does not anticipate amending its restated certificate of incorporation or its by-laws in connection with the merger. The rights of stockholders of Verizon will also remain the same as prior to the merger, except that their shares of Verizon common stock will represent an interest in Verizon that no longer reflects the ownership and operation of the Spinco business, and stockholders of Verizon will also receive shares of Frontier common stock and cash paid in lieu of fractional shares (if any) in the merger. See Description of Capital Stock of Frontier and the Combined Company.

Q: What will Frontier's dividend policy be following the merger?

A: The amount and timing of dividends payable on Frontier's common stock are within the sole discretion of its board of directors. Frontier currently pays an annual cash dividend of \$1.00 per share of Frontier common stock, subject to applicable law and agreements governing Frontier's indebtedness and within the sole discretion of the Frontier board. After the closing of the merger, Frontier intends to pay an annual cash dividend of \$0.75 per share of Frontier common stock, subject to applicable law and agreements governing the combined company's indebtedness and within the sole discretion of the Frontier board. Frontier believes that this dividend policy will allow the combined company to invest in its markets, including extending its broadband capacity in the Spinco territory over the next few years. See The Transactions Dividend Policy of Frontier and the Combined Company.

Q: Will Frontier pay a dividend for the quarter in which the merger is completed?

A: Yes. Frontier intends to pay a pro-rated dividend for the quarter in which the merger is completed to Frontier stockholders of record as of the close of business on the business day immediately preceding the closing date of the merger based on its current policy of paying dividends on each share of its common stock at a rate of \$0.25 per share per quarter. The pro-rated dividend would be payable for the period from the first day of the fiscal quarter in which the closing date of the merger occurs through and including the day immediately preceding the closing date of the merger. Verizon stockholders who receive shares of Frontier

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common stock as a result of the merger will not be entitled to receive this pro-rated dividend in respect of the shares received in the merger. In addition, Frontier intends to pay a pro-rated dividend at a rate of \$0.1875 per share per quarter for the period beginning on the closing date of the merger through and including the last day of the fiscal quarter in which the closing of the merger occurs. Existing Frontier stockholders and Verizon stockholders who receive shares of Frontier common stock as a result of the merger and who continue to hold the shares on the relevant record date would be entitled to receive this pro-rated dividend.

Q: Who will serve on the board of directors of the combined company?

A: Pursuant to the terms of the merger agreement, immediately prior to the effectiveness of the merger, the Frontier board (which will become the board of directors of the combined company) will consist of twelve directors. Three of the directors will be initially designated by Verizon and nine of the directors will be initially designated by Frontier. Frontier expects that Mary Agnes Wilderotter, Frontier's current Chairman of the Board of Directors, President and Chief Executive Officer, will continue to serve in such roles with the combined company.

Q: Will Frontier's current senior management team manage the business of the combined company following the merger?

A: Yes. Frontier's senior management team will continue to manage the business of the combined company after the merger. In addition, Frontier expects to supplement Frontier's current senior management team with members of Verizon's regional management team who currently manage the Spinco business. See Management of the Combined Company.

Q: What will be the indebtedness of the combined company immediately following completion of the spin-off and merger?

A: By virtue of the merger, the combined company will have approximately \$3.4 billion of additional indebtedness compared to Frontier's indebtedness immediately prior to the merger. This additional indebtedness will consist of the special cash payment financing, the distribution date indebtedness and any Spinco debt securities that may be issued to Verizon, although the parties currently expect that no Spinco debt securities will be issued. The combined company will also continue to be obligated in respect of Frontier's indebtedness existing at the time of the merger. Based upon Frontier's outstanding indebtedness as of June 30, 2009 of approximately \$4.9 billion, Frontier expects that, immediately following the merger, the combined company will have approximately \$8.3 billion in total debt.

Q: Will there be a post-closing working capital adjustment?

A: Pursuant to the distribution agreement, Spinco is required to have, at the closing of the merger, defined current assets in an amount that is at least equal to the amount of defined current liabilities as of such time, referred to as the distribution date working capital. If the distribution date working capital of Spinco exceeds zero, no payment will be made by either party with respect to such excess. If the distribution date working capital of Spinco is less than zero, Verizon will pay to the combined company an amount equal to the full amount of the deficit. In the event that the combined company disagrees with Verizon's calculation of the distribution date working capital, the combined company may dispute that calculation if the amount in dispute exceeds \$250,000.

Q: What are the material tax consequences to Frontier stockholders and Verizon stockholders resulting from the spin-off and the merger?

A: Frontier stockholders are not expected to recognize any gain or loss for U.S. federal income tax purposes as a result of the merger. Verizon stockholders are not expected to recognize any gain or loss for U.S. federal

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income tax purposes as a result of the spin-off or the merger, except for any gain or loss attributable to the receipt of cash in lieu of a fractional share of Frontier common stock. The material U.S. federal income tax consequences of the spin-off and the merger are described in more detail under [Material United States Federal Income Tax Consequences of the Spin-Off and the Merger](#).

Q: Are there risks associated with the merger?

A: Yes. The combined company may not achieve the expected benefits of the merger because of the risks and uncertainties discussed in the sections titled [Risk Factors](#) and [Cautionary Statement Regarding Forward-Looking Statements](#). Those risks include, among other things, risks relating to the uncertainty that the combined company will fully realize the anticipated growth opportunities and cost synergies from the merger and uncertainties relating to the performance of the combined company following the completion of the merger.

Q: Does Frontier have to pay anything to Verizon if the merger is not approved by the Frontier stockholders or if the merger agreement is otherwise terminated?

A: Depending on the reasons for termination of the merger agreement, Frontier may have to pay Verizon a termination fee of \$80 million. For a discussion of the circumstances under which the termination fee is payable by Frontier to Verizon, including Frontier's failure to obtain stockholder approval, see [The Transaction Agreements](#) [The Merger Agreement](#) [Termination Fee Payable in Certain Circumstances](#).

Q: Can Verizon or Frontier stockholders demand appraisal of their shares?

A: No. Neither Verizon nor Frontier stockholders have appraisal rights under Delaware law in connection with the spin-off or the merger.

Q: When will the merger be completed?

A: Frontier and Verizon are working to complete the merger as quickly as possible after receipt of applicable regulatory approvals, the last of which is currently expected to be received during the second quarter of 2010. In addition to regulatory approvals, other important conditions to the closing of the merger include, among other things, the completion of Spinco's debt financing and payment of the special cash payment to Verizon and the completion of Verizon's internal realignment process to separate the Spinco business from its other businesses. If the merger proposals described in this proxy statement/prospectus are approved by the Frontier stockholders at the special meeting and other conditions to the closing of the merger are satisfied (or are capable of being satisfied by the anticipated closing date), Frontier expects to complete the merger during the second quarter of 2010 (but not before April 30, 2010, which is the earliest date that the merger may close under the merger agreement, unless Frontier and Verizon agree otherwise). However, it is possible that factors outside Frontier's and Verizon's control could require Verizon to complete the spin-off and Frontier and Verizon to complete the merger at a later time or not complete them at all. For a discussion of the conditions to the merger, see [The Transaction Agreements](#) [The Merger Agreement](#) [Conditions to the Completion of the Merger](#).

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SUMMARY

*This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the transactions fully and for a more complete description of the terms of the spin-off and the merger, please carefully read this entire proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus. See also *Where You Can Find Additional Information*.*

This proxy statement/prospectus is:

a proxy statement of Frontier for use in the solicitation of proxies for its special meeting;

a prospectus of Frontier relating to the issuance of shares of Frontier common stock pursuant to the merger agreement; and

an information statement of Spinco relating to the distribution of shares of Spinco common stock to a third-party distribution agent for the benefit of Verizon stockholders.

The Companies

Frontier Communications Corporation

Frontier is a communications company providing services to rural areas and small and medium-sized towns and cities. Frontier generated revenues of approximately \$2.2 billion for the fiscal year ended December 31, 2008 and approximately \$1.1 billion for the six months ended June 30, 2009. Frontier operated in 24 states with approximately 2,189,000 access lines, 614,000 Internet subscribers and 157,000 video subscribers as of June 30, 2009.

Incorporated in November 1935, Frontier is the sixth largest incumbent local exchange carrier in the United States based on number of access lines. Frontier is typically the leading incumbent carrier in the markets it serves and provides the last mile of communications services to residential and business customers in these markets.

From May 2000 until July 31, 2008, Frontier was named Citizens Communications Company.

Spinco

The Spinco business had approximately 4,800,000 access lines as of December 31, 2008, and approximately 4,500,000 access lines as of June 30, 2009. The Spinco business generated revenues of approximately \$4.4 billion for the year ended December 31, 2008, and approximately \$2.1 billion for the six months ended June 30, 2009.

Verizon's Separate Telephone Operations financial information is included elsewhere in this proxy statement/prospectus before taking into account any of the pro forma adjustments detailed in Unaudited Pro Forma Condensed Combined Financial Information. This financial information, together with the pro forma adjustments detailed in Unaudited Pro Forma Condensed Combined Financial Information, reflects the operations that will comprise the Spinco business in connection with the spin-off.

Pursuant to the distribution agreement, Verizon will contribute to Spinco defined assets and liabilities of its local exchange business and related landline activities in the Spinco territory, including Internet access and long distance services and broadband video provided to designated customers in the Spinco territory. This proxy statement/prospectus describes Spinco as if it had the assets, liabilities and customers that will be transferred to it prior to completion of the spin-off and the merger for all periods and dates presented. The Spinco business consists of local exchange service, designated intrastate and interstate long distance service, network access service, Internet access service, enhanced voice and data services, digital subscriber line services, referred to as DSL, fiber-to-the-premises voice, broadband and video services, wholesale services, operator services, directory assistance services, customer service to end users, and, in connection with the foregoing, repairs, billing and collections, as well as other specified activities of Verizon in the Spinco territory. The conveyed assets will specifically include designated fiber-to-the-premises network elements and customer premises equipment at fiber-to-the-premises subscriber locations in the states of Indiana, Oregon and Washington and specified related transmission facilities.

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The Combined Company

The combined company is expected to be the nation's largest communications services provider focused on rural areas and small and medium-sized towns and cities, and the nation's fifth largest incumbent local exchange carrier, with more than 7,000,000 access lines, 8,600,000 voice and broadband connections and 16,000 employees in 27 states on a pro forma basis as of December 31, 2008. The combined company will offer voice, data and video services to customers in its expanded geographic footprint. Assuming the merger had occurred on January 1, 2008, the combined company's revenues on a pro forma basis would have been approximately \$6.5 billion for the year ended December 31, 2008, and approximately \$3.1 billion for the six months ended June 30, 2009.

The Transactions

The Spin-Off (See *The Transactions - The Spin-Off* beginning on page 43)

As part of the spin-off, Verizon will, pursuant to a series of restructuring transactions prior to the spin-off, contribute to Spinco and its subsidiaries defined assets and liabilities of the local exchange business and related landline activities of Verizon in the Spinco territory, including Internet access and long distance services and broadband video provided to designated customers in the Spinco territory. In exchange for these contributions, and immediately prior to the effective time of the merger, Spinco will deliver to Verizon:

a special cash payment in an amount not to exceed the lesser of (i)(x) \$3.333 billion minus (y) the aggregate amount of distribution date indebtedness and (ii) Verizon's estimate of the tax basis in the assets transferred to Spinco (which Verizon currently anticipates will be greater than or equal to \$3.333 billion); and

if the total amount of the special cash payment is less than (i) \$3.333 billion minus (ii) the aggregate amount of distribution date indebtedness, Spinco debt securities having a principal amount equal to (x) \$3.333 billion minus (y) the sum of (A) the total amount of the special cash payment and (B) the aggregate amount of distribution date indebtedness.

Also in connection with these contributions, Spinco will issue additional shares of Spinco common stock to Verizon, which will be distributed in the spin-off as described below.

As a result of the foregoing transactions, all of which are referred to collectively as the contribution, Verizon will receive from Spinco \$3.333 billion in aggregate value in the form of the special cash payment, the Verizon debt reduction and, in the circumstances described above, Spinco debt securities. Verizon will be permitted to use the special cash payment to repay debt, repurchase stock or pay dividends. The parties do not expect that any Spinco debt securities will be issued.

After the contribution and immediately prior to the merger, Verizon will spin off Spinco by distributing all of the shares of Spinco common stock to a third-party distribution agent to be held collectively for the benefit of Verizon stockholders, which transactions are referred to collectively as the distribution. Spinco will then merge with and into Frontier, and the shares of Spinco common stock will be immediately converted into the number of shares of Frontier common stock that Verizon stockholders will be entitled to receive in the merger. The third-party distribution agent will then distribute these shares of Frontier common stock and cash in lieu of fractional shares to Verizon stockholders on a pro rata basis in accordance with the terms of the merger agreement.

The Merger (See *The Transactions - The Merger* beginning on page 44)

In the merger, Spinco will merge with and into Frontier in accordance with the terms of the merger agreement and, following completion of the merger, the separate existence of Spinco will cease. Frontier will survive the merger as the combined company and will hold and conduct the combined business operations of Frontier and Spinco.

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Verizon stockholders will be entitled to receive a number of shares of common stock of Frontier, as the combined company, to be determined based on the calculation set forth in The Transactions Calculation of Merger Consideration. Verizon stockholders will receive a cash payment in lieu of any fractional shares of Frontier common stock that they would otherwise receive. Verizon stockholders will not be required to pay for any of the shares of Frontier common stock they receive and will also retain all of their shares of Verizon common stock. Existing shares of Frontier common stock will remain outstanding.

Frontier, Spinco and Verizon stockholders will not be entitled to exercise appraisal rights or to demand payment for their shares in connection with the spin-off or the merger.

The Special Meeting (See The Special Meeting beginning on page 39)

A special meeting of stockholders of Frontier will be held at _____, on _____, at _____, local time. At the special meeting, Frontier stockholders will be asked to consider and vote on proposals:

to adopt the merger agreement;

to amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock from 600,000,000 to 1,750,000,000; and

to approve the issuance of Frontier common stock pursuant to the merger agreement.

Record Date (See The Special Meeting Record Date and Outstanding Shares beginning on page 39)

The Frontier board has fixed the close of business on September 14, 2009 as the record date for determining the holders of Frontier common stock entitled to notice of, and to vote at, the special meeting.

Required Vote at the Frontier Special Meeting (See The Special Meeting Required Vote beginning on page 40)

The affirmative vote of a majority of the outstanding shares of Frontier common stock entitled to vote is required to adopt the merger agreement.

The affirmative vote of a majority of the outstanding shares of Frontier common stock entitled to vote is required to approve the amendment to Frontier's restated certificate of incorporation.

The affirmative vote of a majority of the votes cast by holders of shares of Frontier common stock entitled to vote is required to approve the issuance of Frontier common stock to Verizon stockholders pursuant to the merger agreement.

The approval of each of the merger proposals is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved.

Recommendations of Frontier's Board of Directors (See The Transactions Frontier's Reasons for the Merger beginning on page 51 and The Transactions Frontier's Board of Directors Recommendation to Frontier Stockholders beginning on page 54)

After careful consideration, the Frontier board, on May 12, 2009, unanimously approved the merger agreement and the merger. For the factors considered by the Frontier board in reaching its decision to approve the merger agreement and the merger, see the sections entitled The Transactions Frontier's Reasons for the Merger beginning on page 51. **The Frontier board unanimously recommends that Frontier stockholders vote FOR the merger proposals.**

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No Vote Is Required by Verizon Stockholders (See The Special Meeting Required Vote beginning on page 40)

No vote by Verizon stockholders is required or is being sought in connection with the spin-off or the merger. Verizon, as the sole stockholder of Spinco, has already approved the merger.

Opinions of Financial Advisors to Frontier (See The Transactions Opinions of Frontier's Financial Advisors beginning on page 54)

The Frontier board received an oral opinion of Evercore Group L.L.C., referred to as Evercore, on May 12, 2009, which opinion was confirmed by a written opinion dated May 12, 2009, to the effect that, as of that date and based on and subject to the assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth therein, the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the merger agreement entered into by Verizon, Spinco and Frontier on May 13, 2009, which was prior to any subsequent amendment and is referred to as the original merger agreement, was fair, from a financial point of view, to Frontier and the holders of Frontier common stock (solely in their capacity as holders of Frontier common stock). The full text of Evercore's written opinion, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of review undertaken by Evercore in connection with delivering its opinion, is attached as Annex B-1 to this proxy statement/prospectus and is incorporated by reference in its entirety into this proxy statement/prospectus. Frontier stockholders are encouraged to read the opinion carefully and in its entirety. The opinion of Evercore was provided to the Frontier board in connection with its evaluation of the consideration provided for in the merger. It does not address any other aspect of the proposed merger and does not constitute a recommendation as to how any Frontier stockholder should vote or act in connection with the merger.

The Frontier board also received an oral opinion of Citigroup Global Markets Inc., referred to as Citi, on May 12, 2009, which opinion was subsequently confirmed by a written opinion dated May 13, 2009, to the effect that, as of that date and based upon and subject to the assumptions, limitations and considerations set forth therein, the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement was fair, from a financial point of view, to Frontier and the holders of Frontier common stock. The full text of Citi's written opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken by Citi in connection with its opinion, is attached as Annex B-2 to this proxy statement/prospectus and is incorporated by reference in its entirety into this proxy statement/prospectus. Frontier stockholders are encouraged to read the opinion carefully and in its entirety. The opinion of Citi was provided to the Frontier board in connection with its evaluation of the consideration provided for in the merger. It does not address any other aspect of the proposed merger and does not constitute a recommendation as to how any Frontier stockholder should vote or act in connection with the merger.

Board of Directors and Management of the Combined Company (See Management of the Combined Company beginning on page 177)

Immediately prior to the merger, the Frontier board (which will become the board of directors of the combined company) will consist of twelve directors, nine of whom will be initially designated by Frontier and three of whom will be initially designated by Verizon. Verizon's director nominees may not be employees of Verizon, its affiliates or Cellco or any of its subsidiaries, and must satisfy the requirements for director independence under the rules and regulations of the SEC and the NYSE. The officers of Frontier immediately prior to the merger will continue as the officers of the combined company immediately following the merger. In addition, Frontier expects to supplement its current senior management team with members of Verizon's regional management team who currently manage the Spinco business.

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Risk Factors (See Risk Factors beginning on page 24)

In deciding whether to vote to approve the merger proposals, you should carefully consider the matters described in the section Risk Factors, as well as other information included in this proxy statement/prospectus and the other documents to which you have been referred.

Regulatory Matters (See The Transaction Agreements The Merger Agreement Regulatory Matters beginning on page 85)

The merger agreement provides that each of the parties to the merger agreement will use all commercially reasonable efforts to obtain all necessary actions, waivers, consents and approvals from any governmental authority, and to take all steps as may be necessary to obtain an approval or waiver from, or to avoid an action by, any governmental authority. This includes making all necessary filings and defending or contesting all actions or proceedings (subject to certain limitations).

Financing (See The Transaction Agreements The Merger Agreement Financing Matters beginning on page 88)

The special cash payment will be financed through the special cash payment financing. The merger agreement and the distribution agreement also contemplate that Spinco debt securities may be issued to Verizon immediately prior to the spin-off. The parties do not expect that any Spinco debt securities will be issued.

The merger agreement contains various covenants of Verizon, Frontier and Spinco relating to the special cash payment financing and the Spinco debt securities.

Conditions (See The Transaction Agreements The Merger Agreement Conditions to the Completion of the Merger beginning on page 91)

As more fully described in this proxy statement/prospectus and in the merger agreement and distribution agreement, consummation of the merger is subject to the satisfaction of certain conditions, including the availability of financing on terms that satisfy certain requirements (including with respect to pricing and maturity) and the receipt of the proceeds thereof that, taken together with any Spinco debt securities and the aggregate amount of the distribution date indebtedness, equal \$3.333 billion. Other conditions to the merger include (i) the absence of a governmental order that would constitute a materially adverse regulatory condition, (ii) the receipt of applicable regulatory consents and the expiration or termination of the requisite waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to as the Hart-Scott-Rodino Act, (iii) the receipt of certain rulings from the Internal Revenue Service, referred to as the IRS, and certain tax opinions, (iv) the approval of the stockholders of Frontier and (v) the absence of a material adverse effect on Frontier or on Spinco or the Spinco business.

On September 1, 2009, the Federal Trade Commission granted the parties request for early termination of the waiting period under the Hart-Scott-Rodino Act. Frontier cannot be certain when, or if, the other conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination (See The Transaction Agreements The Merger Agreement Termination beginning on page 93)

The merger agreement may be terminated by:

- (a) the mutual written consent of the parties;
- (b) any of the parties if the merger is not consummated by July 31, 2010, subject to certain extension rights;

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- (c) any of the parties if the merger is permanently enjoined or prohibited, or if a final, non-appealable order has been entered into that would constitute a materially adverse regulatory condition;
- (d) Frontier, on the one hand, or Verizon and Spinco, on the other hand, if the other party or parties breach the merger agreement in a way that would entitle the party or parties seeking to terminate the agreement not to consummate the merger, subject to the right of the breaching party or parties to cure the breach;
- (e) Frontier, on the one hand, or Verizon and Spinco, on the other hand, if the requisite Frontier stockholder approvals have not been obtained at the special meeting, except that Frontier will not be permitted to terminate the merger agreement because of the failure to obtain the stockholder approval if that failure was caused by Frontier's actions or inactions that constitute a material breach of the merger agreement;
- (f) Verizon and Spinco, if (1) the Frontier board withdraws or adversely modifies its recommendation or (2) Frontier fails to call and hold the special meeting within 60 days after the date on which the SEC shall have completed its review of this proxy statement/prospectus and, if required by the SEC as a condition to the mailing of this proxy statement/prospectus, the date of effectiveness of the registration statement of which it is a part; or
- (g) Verizon and Spinco on any date, if on that date (1) the average of the volume-weighted averages of the trading prices of the Frontier common stock for any period of 60 consecutive trading days that ended within three business days prior to that date is below \$3.87 and (2) Verizon and Spinco notify Frontier in writing that they are terminating the merger agreement in accordance with this provision.

Frontier will pay to Verizon a termination fee of \$80 million in the event that:

Verizon and Spinco terminate the merger agreement under clause (f) above; or

(1) Frontier receives a competing acquisition proposal and one of the parties terminates under clause (b) above or Verizon and Spinco terminate the merger agreement because Frontier breaches certain specified provisions of the merger agreement, or a competing acquisition proposal has been publicly announced prior to the Frontier stockholders' meeting and Frontier stockholders fail to approve the merger and (2) within 12 months after such termination of the merger agreement, Frontier consummates a business combination transaction or enters into a definitive agreement with respect to such a transaction.

Material United States Federal Income Tax Consequences (See Material United States Federal Income Tax Consequences of the Spin-off and the Merger beginning on page 76)

Frontier stockholders are not expected to recognize any gain or loss for U.S. federal income tax purposes as a result of the merger. Verizon stockholders are not expected to recognize any gain or loss for U.S. federal income tax purposes as a result of the spin-off or the merger, except for any gain or loss attributable to the receipt of cash in lieu of a fractional share of Frontier common stock.

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FRONTIER**

The following tables present selected historical consolidated financial and operating information of Frontier for the periods indicated. The selected statements of operations information of Frontier for the six months ended June 30, 2009 and 2008 and the selected balance sheet data of Frontier as of June 30, 2009 have been derived from Frontier's unaudited interim consolidated financial statements included elsewhere in this proxy statement/prospectus. In the opinion of Frontier management, all adjustments considered necessary for a fair presentation of the interim June 30, 2009 and 2008 financial information of Frontier have been included. The selected historical consolidated financial information of Frontier as of December 31, 2008 and 2007 and for each of the three fiscal years in the three-year period ended December 31, 2008 is derived from the audited historical consolidated financial statements of Frontier included elsewhere in this proxy statement/prospectus. The selected historical consolidated financial information of Frontier as of December 31, 2006, 2005 and 2004 and for each of the two fiscal years in the two-year period ended December 31, 2005 is derived from the audited historical consolidated financial statements of Frontier not included in this proxy statement/prospectus. The operating data of Frontier below is unaudited for all periods. The operating results of Frontier for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for any future periods.

This information is only a summary and should be read in conjunction with Frontier management's discussion and analysis of financial condition and results of operations of Frontier and the historical consolidated financial statements and notes thereto of Frontier referred to above.

(\$ in thousands, except per share amounts)	Six Months Ended June 30,		Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)						
Statements of Operations Information:							
Revenue ⁽¹⁾	\$ 1,070,098	\$ 1,131,755	\$ 2,237,018	\$ 2,288,015	\$ 2,025,367	\$ 2,017,041	\$ 2,022,378
Operating income	\$ 276,126	\$ 326,281	\$ 642,456	\$ 705,416	\$ 644,490	\$ 588,968	\$ 460,301
Income from continuing operations	\$ 65,265	\$ 102,143	\$ 184,274	\$ 216,514	\$ 258,321	\$ 189,923	\$ 57,609
Net income attributable to common shareholders of Frontier	\$ 64,221	\$ 101,367	\$ 182,660	\$ 214,654	\$ 344,555	\$ 202,375	\$ 72,150
Basic income per share of common stock from continuing operations	\$ 0.20	\$ 0.31	\$ 0.57	\$ 0.64	\$ 0.78	\$ 0.55	\$ 0.17
Earnings attributable to common shareholders of Frontier per basic share	\$ 0.20	\$ 0.31	\$ 0.57	\$ 0.64	\$ 1.06	\$ 0.60	\$ 0.22
Earnings attributable to common shareholders of Frontier per diluted share	\$ 0.20	\$ 0.31	\$ 0.57	\$ 0.64	\$ 1.06	\$ 0.59	\$ 0.22
Cash dividends declared (and paid) per common share	\$ 0.50	\$ 0.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 2.50
Other financial data:							
Capital expenditures	\$ 110,364	\$ 123,723	\$ 288,264	\$ 315,793	\$ 268,806	\$ 259,448	\$ 263,949

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(\$ in thousands)	As of June 30, 2009 (unaudited)	2008	2007	As of December 31,		
				2006	2005	2004
Balance sheet data:						
Total assets	\$ 7,018,184	\$ 6,888,676	\$ 7,256,069	\$ 6,797,536	\$ 6,427,567	\$ 6,679,899
Long-term debt	\$ 4,944,989	\$ 4,721,685	\$ 4,736,897	\$ 4,467,086	\$ 3,995,130	\$ 4,262,658
Total shareholders' equity of Frontier	\$ 438,056	\$ 519,045	\$ 997,899	\$ 1,058,032	\$ 1,041,809	\$ 1,362,240
Operating data:						
Access lines	2,189,127	2,254,333	2,429,142	2,126,574	2,237,539	2,336,423
High-speed Internet subscribers	613,810	579,943	522,845	393,184	318,096	220,313
Video subscribers	157,353	119,919	93,596	62,851	32,326	0

- (1) Operating results include activities from Frontier's Vermont Electric segment for three months of 2004, and for Commonwealth Telephone Enterprises, Inc., referred to as Commonwealth or CTE, from the date of its acquisition on March 8, 2007 and for Global Valley Networks, Inc. and GVN Services, together referred to as GVN, from the date of their acquisition on October 31, 2007.

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SELECTED HISTORICAL COMBINED FINANCIAL DATA OF VERIZON'S

SEPARATE TELEPHONE OPERATIONS

Verizon's Separate Telephone Operations are comprised of the local exchange business and related landline activities of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, including Internet access and long distance services and broadband video provided to designated customers in those states. Verizon's Separate Telephone Operations comprise portions of Verizon California Inc. and Verizon South Inc., and the stock of Contel of the South, Inc., Verizon Northwest Inc., referred to as Verizon Northwest, Verizon North Inc., referred to as Verizon North (after the transfer of specific operations, assets and liabilities of Verizon North and Verizon Northwest), and Verizon West Virginia Inc., referred to as Verizon West Virginia; also included in Verizon's Separate Telephone Operations are customer relationships for related long distance services offered by portions of Verizon Long Distance LLC and Verizon Enterprise Solutions LLC, referred to as VLD, and Verizon Online LLC, referred to as VOL, in the Spinco territory. Verizon's Separate Telephone Operations exclude all activities of Verizon Business Global LLC and Cellco. The following selected historical combined financial data of Verizon's Separate Telephone Operations for the six months ended June 30, 2009 and 2008 and as of June 30, 2009 have been derived from the unaudited interim condensed combined special-purpose financial statements of Verizon's Separate Telephone Operations included elsewhere in this proxy statement/prospectus. The following selected historical combined special-purpose financial data of Verizon's Separate Telephone Operations for each of the fiscal years ended December 31, 2008, 2007 and 2006 and as of December 31, 2008 and 2007 have been derived from the audited combined special-purpose financial statements of Verizon's Separate Telephone Operations included elsewhere in this proxy statement/prospectus. The selected historical combined special-purpose financial data for the years ended December 31, 2005 and 2004 and as of December 31, 2006, 2005 and 2004 have been derived from the unaudited combined special-purpose financial statements of Verizon's Separate Telephone Operations that have not been included in this proxy statement/prospectus. The results of operations for the interim periods are not necessarily indicative of the results of operations which might be expected for the entire year, but in the opinion of Verizon's management, include all adjustments for the fair presentation of interim financial information.

See Unaudited Pro Forma Condensed Combined Financial Information for a detailed description of assets and liabilities of Verizon's Separate Telephone Operations that will be contributed to Spinco, other assets and liabilities of Verizon's Separate Telephone Operations that will not be contributed to Spinco, and expenses that will not be expenses of the combined company as well as other similar adjustments.

The selected historical combined financial data of Verizon's Separate Telephone Operations should be read in conjunction with the unaudited interim condensed combined special-purpose financial statements of Verizon's Separate Telephone Operations for the six months ended June 30, 2009 and 2008 and the notes thereto and the audited combined special-purpose financial statements of Verizon's Separate Telephone Operations for the years ended December 31, 2008, 2007 and 2006 and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this proxy statement/prospectus.

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(\$ in millions)	Six Months Ended			Year Ended December 31,			
	2009	2008	2008	2007	2006	2005	2004
	June 30,			December 31,			
	(unaudited)			(unaudited)			
Statements of Income:							
Operating revenues	\$ 2,074	\$ 2,201	\$ 4,352	\$ 4,527	\$ 4,674	\$ 4,831	\$ 4,855
Operating income ⁽¹⁾	411	603	1,044	1,159	1,162	1,046	1,072
Net income	237	335	552	603	638	538	612
Other Financial Data:							
Capital expenditures	\$ 279	\$ 364	\$ 730	\$ 703	\$ 702	\$ 733	\$ 653

(\$ in millions)	As of		As of December 31,				
	2009	2008	2007	2006	2005	2004	
	June 30,		December 31,				
	(unaudited)		(unaudited)				
Statements of Selected Assets, Selected Liabilities and Parent Funding:							
Total selected assets	\$ 8,750	\$ 8,926	\$ 9,059	\$ 9,119	\$ 9,375	\$ 9,608	
Long-term debt, including current portion	624	622	1,319	1,315	1,732	1,882	
Employee benefit obligations	1,197	1,160	1,068	991	930	815	
Parent funding	4,803	4,952	4,548	4,443	4,270	4,144	

- (1) Operating expenses in the six months ended June 30, 2009 and the years ended December 31, 2008, 2007, 2006 and 2004 included special charges related to pension settlement losses and severance plans of \$139 million, \$107 million, \$53 million, \$42 million and \$121 million, respectively.

Table of Contents**SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following table shows summary unaudited pro forma condensed combined financial data about the financial condition and results of operations of Frontier, as the combined company, after giving effect to the transactions, and is based upon the historical consolidated financial data of Frontier and the historical combined special-purpose financial data of Verizon's Separate Telephone Operations included elsewhere in this proxy statement/prospectus. The unaudited pro forma condensed combined financial data has been prepared to reflect the merger based on the acquisition method of accounting, with Frontier treated as the accounting acquirer. Under the acquisition method, the assets and liabilities of Verizon's Separate Telephone Operations will be recorded by Frontier at their respective fair values as of the date the merger is completed. The unaudited pro forma condensed combined statements of operations information, which have been prepared for the six months ended June 30, 2009 and the year ended December 31, 2008, give effect to the transactions as if the transactions had occurred on January 1, 2008. The unaudited pro forma condensed combined balance sheet data has been prepared as of June 30, 2009, and gives effect to the transactions as if they had occurred on that date. The unaudited pro forma condensed combined financial data has been derived from and should be read in conjunction with the consolidated financial statements and the related notes of Frontier, the combined special-purpose financial statements and the related notes of Verizon's Separate Telephone Operations, and the unaudited pro forma condensed combined financial information, including the notes thereto, included elsewhere in this proxy statement/prospectus.

The unaudited pro forma condensed combined financial data is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have been achieved had the transactions been completed at the dates indicated above. In addition, the unaudited pro forma condensed combined financial data does not purport to project the future financial position or results of operation of Frontier, as the combined company, after completion of the transactions. As explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information included elsewhere in this proxy statement/prospectus, the preliminary allocation of the transaction consideration reflected in the unaudited pro forma condensed combined financial information is subject to adjustment and may vary significantly from the actual transaction consideration allocation that will be recorded as of completion of the merger.

(\$ in millions, except per share amounts)	Six Months Ended	Pro Forma
	June 30, 2009	Year Ended December 31, 2008 (Unaudited)
Statements of Operations Information:		
Revenue	\$ 3,103	\$ 6,494
Operating income	697	1,507
Net income	251	565
Basic and diluted income per common share	0.25	0.57
	As of June 30, 2009 (Unaudited)	
Balance Sheet Data:		
Property, plant and equipment, net	\$ 8,618	
Goodwill, net	6,033	
Total assets	17,826	
Long-term debt	7,958	
Shareholders' equity	5,651	

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The following table sets forth, for the six months ended June 30, 2009 and the year ended December 31, 2008, selected per share information for Frontier common stock on a historical and pro forma combined basis. Except for the historical information as of and for the year ended December 31, 2008, the information in the table is unaudited. You should read the data with the historical consolidated financial statements and related notes of Frontier included elsewhere in this proxy statement/prospectus.

The Frontier pro forma combined income per share was calculated using the methodology described under Unaudited Pro Forma Condensed Combined Financial Information included elsewhere in this proxy statement/prospectus and assuming the issuance of the number of shares that would be issued at the mid-point of the collar (\$7.75 per share of Frontier common stock). After the closing of the merger, Frontier intends to reduce its annual cash dividend from \$1.00 per share to \$0.75 per share. This change in dividend policy is reflected below in the column Pro Forma Combined. The Frontier pro forma combined book value per share was calculated by dividing total pro forma combined common shareholders' equity by the number of shares expected to be outstanding after giving pro forma effect to the issuance of Frontier common stock pursuant to the merger agreement.

	Frontier	
	Historical	Pro Forma Combined
Basic and diluted income per common share		
Six months ended June 30, 2009	\$ 0.20	\$ 0.25
Year ended December 31, 2008	\$ 0.57	\$ 0.57
Cash dividends declared per common share		
Six months ended June 30, 2009	\$ 0.50	\$ 0.375 ⁽¹⁾
Year ended December 31, 2008	\$ 1.00	\$ 0.75 ⁽¹⁾
Book value per common share		
As of June 30, 2009	\$ 1.40	\$ 5.72

(1) Frontier intends to pay an annual cash dividend of \$0.75 per share after the closing of the merger.

Table of Contents**HISTORICAL MARKET PRICE AND DIVIDEND DATA OF FRONTIER COMMON STOCK**

Frontier common stock currently trades on the NYSE under the symbol FTR. On May 12, 2009, the last trading day before the announcement of the signing of the merger agreement, the last sale price of Frontier common stock reported by the NYSE was \$7.57. On _____, the last practicable trading day for which information is available as of the date of this proxy statement/prospectus, the last sale price of Frontier common stock reported by the NYSE was \$ _____. Prior to July 31, 2008, the common stock of Frontier, then named Citizens Communications Company, traded under the symbol CZN. The following table sets forth the high and low prices per share of Frontier common stock for the periods indicated. For current price information, Frontier and Verizon stockholders are urged to consult publicly available sources.

	Frontier Communications Corporation Common Stock	
	High	Low
Calendar Year Ending December 31, 2009		
Third Quarter (through _____, 2009)	\$ _____	\$ _____
Second Quarter	\$ 8.16	\$ 6.62
First Quarter	\$ 8.87	\$ 5.32
Calendar Year Ended December 31, 2008		
Fourth Quarter	\$ 11.80	\$ 6.35
Third Quarter	\$ 12.94	\$ 11.14
Second Quarter	\$ 11.96	\$ 10.01
First Quarter	\$ 12.84	\$ 9.75
Calendar Year Ended December 31, 2007		
Fourth Quarter	\$ 14.54	\$ 12.03
Third Quarter	\$ 15.62	\$ 12.50
Second Quarter	\$ 16.05	\$ 14.80
First Quarter	\$ 15.58	\$ 13.92

The following table shows the dividends that have been declared and paid on Frontier common stock during 2009, 2008 and 2007:

	Per Share Dividend Declared	Date Declared	Date Paid or Payable
Calendar Year Ending December 31, 2009			
Third Quarter	\$ 0.25	7/30/2009	9/30/2009
Second Quarter	\$ 0.25	5/13/2009	6/30/2009
First Quarter	\$ 0.25	2/6/2009	3/31/2009
Calendar Year Ended December 31, 2008			
Fourth Quarter	\$ 0.25	11/6/2008	12/31/2008
Third Quarter	\$ 0.25	7/31/2008	9/30/2008
Second Quarter	\$ 0.25	5/14/2008	6/30/2008
First Quarter	\$ 0.25	2/21/2008	3/31/2008
Calendar Year Ended December 31, 2007			
Fourth Quarter	\$ 0.25	10/25/2007	12/31/2007
Third Quarter	\$ 0.25	7/27/2007	9/28/2007
Second Quarter	\$ 0.25	5/18/2007	6/29/2007
First Quarter	\$ 0.25	2/23/2007	3/30/2007

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Frontier's current dividend policy is to pay quarterly dividends at a rate of \$0.25 per share to the extent dividends are permitted by applicable law and agreements governing Frontier's indebtedness. Following the merger, Frontier intends to pay annual dividends at a rate of \$0.75 per share to the extent permitted by applicable law and agreements governing the combined company's indebtedness. The amount and timing of dividends payable on Frontier's common stock are within the sole discretion of its board of directors and subject to applicable law and any restrictions in the agreements governing the combined company's indebtedness. For more information on Frontier's current dividend policy and the expected dividend policy of the combined company following the merger, see The Transactions' Dividend Policy of Frontier and the Combined Company.

Market price data for Spinco has not been presented because Spinco is currently a wholly owned subsidiary of Verizon and its common stock is not publicly traded.

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RISK FACTORS

You should carefully consider the following risks, together with the other information contained in this proxy statement/prospectus and the annexes hereto. The risks described below are not the only risks facing Frontier and the combined company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also materially and adversely affect the combined company's business operations or the price of the combined company's common stock following completion of the merger.

Risks Relating to the Spin-Off and the Merger

The calculation of the merger consideration will not be adjusted in the event the value of the Spinco business or assets declines before the merger is completed. As a result, at the time Frontier stockholders vote on the merger, they will not know the value of the Spinco business or assets which will be acquired in the merger. The value of the Spinco business and assets may have an effect on the value of Frontier common stock following completion of the merger.

The calculation of the number of shares of Frontier common stock to be issued to Verizon stockholders pursuant to the merger agreement will not be adjusted in the event the value of the Spinco business declines, including as a result of the loss of access lines. If the value of the Spinco business declines after Frontier stockholders approve the merger proposals, the market price of the common stock of the combined company following completion of the merger may be less than Frontier stockholders anticipated when they voted to approve the merger proposals. Conversely, any decline in the Frontier average price as a result of a decrease in the price of Frontier common stock during the Frontier average price calculation period will, subject to the collar, increase the aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement. Further, any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off will increase the aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement, all as described in *The Transactions* Calculation of Merger Consideration. While Frontier will not be required to consummate the merger upon the occurrence of any event or circumstance that has, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Spinco or the Spinco business, neither Verizon nor Frontier will be permitted to terminate the merger agreement because of any changes in the value of the Spinco business or because of an increase in the number of shares of Frontier common stock to be issued to Verizon stockholders due to amounts paid, payable or forgone in connection with government approvals as described above, in each case that do not rise to the level of a material adverse effect on Spinco or the Spinco business. Frontier will also not be permitted to terminate the merger agreement because of any changes in the market price of Frontier common stock.

Frontier's effort to combine Frontier's business and the Spinco business may not be successful.

The acquisition of the Spinco business is the largest and most significant acquisition Frontier has undertaken. Frontier management will be required to devote a significant amount of time and attention to the process of integrating the operations of Frontier's business and the Spinco business, which may decrease the time they will have to serve existing customers, attract new customers and develop new services or strategies. Frontier expects that the Spinco business will be operating on an independent basis, separate from Verizon's other businesses and operations, immediately prior to the closing of the merger (other than with respect to the portion operated in West Virginia, which is expected to be ready for integration into Frontier's existing business at the closing of the merger) and will not require significant post-closing integration for Frontier to continue the operations of the Spinco business immediately after the merger. However, the size and complexity of the Spinco business and the process of using Frontier's existing common support functions and systems to manage the Spinco business after the merger, if not managed successfully by Frontier management, may result in interruptions of the business activities of the combined company that could have a material adverse effect on the combined company's business, financial condition and results of operations. In addition, Frontier management

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will be required to devote a significant amount of time and attention before completion of the merger to the process of migrating the systems and processes supporting the operations of the Spinco business in West Virginia from systems owned and operated by Verizon to those owned and operated by Frontier. The size, complexity and timing of this migration, if not managed successfully by Frontier management, may result in interruptions of Frontier's business activities.

The combined company may not realize the growth opportunities and cost synergies that are anticipated from the merger.

The success of the merger will depend, in part, on the ability of the combined company to realize anticipated growth opportunities and cost synergies. The combined company's success in realizing these growth opportunities and cost synergies, and the timing of this realization, depends on the successful integration of Frontier's business and operations and the Spinco business and operations. Even if the combined company is able to integrate the Frontier and Spinco businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies that Frontier currently expects from this integration within the anticipated time frame or at all. For example, the combined company may be unable to eliminate duplicative costs, or the benefits from the merger may be offset by costs incurred or delays in integrating the companies.

After the close of the transaction, sales of Frontier common stock may negatively affect its market price.

The market price of Frontier common stock could decline as a result of sales of a large number of shares of Frontier common stock in the market after the completion of the merger or the perception that these sales could occur. To the extent permitted under the tax sharing agreement, any effort by the combined company to obtain additional capital by selling equity securities in the future will be made more difficult by such sales, or the possibility that such sales may occur. See The Transaction Agreements Additional Agreements Between Frontier, Verizon and their Affiliates The Tax Sharing Agreement.

Depending on the trading prices of Frontier common stock prior to the closing of the merger and before accounting for the elimination of fractional shares and any number of shares that may be issued as a result of amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off, Verizon stockholders will collectively own between approximately 66% and 71% of the combined company's outstanding equity immediately following the closing of the merger. Certain Verizon stockholders (such as certain index funds and institutional investors with specific investment guidelines that do not cover Frontier common stock) who receive shares of Frontier common stock pursuant to the merger agreement may be required to sell their shares of Frontier common stock immediately after the merger, which may negatively affect the price of the combined company's common stock.

If the assets contributed to Spinco by Verizon are insufficient to operate the Spinco business, it could adversely affect the combined company's business, financial condition and results of operations.

Pursuant to the distribution agreement, Verizon will contribute to Spinco defined assets and liabilities of its local exchange business and related landline activities in the Spinco territory, including Internet access and long distance services and broadband video provided to designated customers in the Spinco territory. The merger agreement provides that all the contributions will be made so that the Spinco business (other than the portion conducted in West Virginia) is segregated from Verizon's other businesses at least 60 days prior to the closing of the spin-off and merger. See The Transaction Agreements The Distribution Agreement Preliminary Transactions. However, the contributed assets may not be sufficient to operate all aspects of the Spinco business and the combined company may have to use assets or resources from Frontier's existing business or acquire additional assets in order to operate the Spinco business, which could adversely affect the combined company's business, financial condition and results of operations.

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Pursuant to the distribution agreement, the combined company has certain rights to cause Verizon to transfer to it any assets required to be contributed to Spinco under that agreement that were not contributed as required. If Verizon were unable or unwilling to transfer those assets to the combined company, or if Verizon and the combined company were to disagree about whether those assets were required to be contributed to Spinco under the distribution agreement, the combined company might not be able to obtain those assets or similar assets from others without significant costs or at all.

The combined company's business, financial condition and results of operations may be adversely affected following the merger if it is not able to obtain consents to assign certain Verizon contracts to Spinco.

Certain wholesale, large business, Internet service provider and other customer contracts that are required to be assigned to Spinco by Verizon require the consent of the customer party to the contract to effect this assignment.

Verizon and the combined company may be unable to obtain these consents on terms favorable to the combined company or at all, which could have a material adverse impact on the combined company's business, financial condition and results of operations following the merger.

Regulatory agencies may delay approval of the spin-off and the merger, fail to approve them, or approve them in a manner that may diminish the anticipated benefits of the merger.

Completion of the spin-off and the merger is conditioned upon the receipt of certain government consents, approvals, orders and authorizations. See The Transaction Agreements The Merger Agreement Conditions to the Completion of the Merger. While Frontier and Verizon intend to pursue vigorously all required governmental approvals and do not know of any reason why they would not be able to obtain the necessary approvals in a timely manner, the requirement to receive these approvals before the spin-off and merger could delay the completion of the spin-off and merger, possibly for a significant period of time after Frontier stockholders have approved the merger proposals. Any delay in the completion of the spin-off and the merger could diminish the anticipated benefits of the spin-off and the merger or result in additional transaction costs, loss of revenues or other effects associated with uncertainty about the transaction. Any uncertainty over the ability of the companies to complete the spin-off and the merger could make it more difficult for Frontier to maintain or to pursue particular business strategies. In addition, until the spin-off and the merger are completed, the attention of Frontier management may be diverted from ongoing business concerns and regular business responsibilities to the extent management is focused on obtaining regulatory approvals.

Further, governmental agencies may decline to grant required approvals, or they may impose conditions on their approval of the spin-off and the merger that could have an adverse effect on the combined company's business, financial condition and results of operations. Any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off will increase the aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement, and any such increase could be significant, all as described in The Transactions Calculation of Merger Consideration.

The merger agreement contains provisions that may discourage other companies from trying to acquire Frontier.

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to Frontier prior to the closing of the merger that might result in greater value to Frontier stockholders than the merger. The merger agreement generally prohibits Frontier from soliciting any acquisition proposal, and Frontier may not terminate the merger agreement in order to accept an alternative business combination proposal that might result in greater value to Frontier stockholders than the merger. Further, even if the Frontier board withdraws or modifies its recommendation of the merger, it will still be required to submit the

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merger to a vote of its stockholders. In addition, before the Frontier board may withdraw or modify its recommendation, Verizon has the opportunity to offer to modify the terms of the merger in response to any competing acquisition proposals that may be made. If the merger agreement is terminated by Frontier or Verizon in certain circumstances, Frontier may be obligated to pay a termination fee of \$80 million to Verizon, which would represent an additional cost for a potential third party seeking a business combination with Frontier.

Failure to complete the merger could adversely affect the market price of Frontier common stock as well as Frontier's business, financial condition and results of operations.

If the merger is not completed for any reason, the price of Frontier common stock may decline to the extent that the market price of Frontier common stock reflects positive market assumptions that the merger will be completed and the related benefits will be realized. Frontier may also be subject to additional risks if the merger is not completed, including:

the requirement in the merger agreement that, under certain circumstances, Frontier pay Verizon a termination fee of \$80 million;

substantial costs related to the merger, such as legal, accounting, filing, financial advisory and financial printing fees, which must be paid regardless of whether the merger is completed; and

potential disruption to the business of Frontier and distraction of its workforce and management team.

If the spin-off does not qualify as a tax-free spin-off under Section 355 of the Internal Revenue Code, referred to as the Code, including as a result of subsequent acquisitions of stock of Verizon or Frontier, then Verizon or Verizon stockholders may be required to pay substantial U.S. federal income taxes, and Frontier may be obligated to indemnify Verizon for such taxes imposed on Verizon.

The spin-off and merger are conditioned upon Verizon's receipt of a private letter ruling from the IRS to the effect that the spin-off and certain related transactions will qualify as tax-free to Verizon, Spinco and the Verizon stockholders for U.S. federal income tax purposes, referred to as the IRS ruling. A private letter ruling from the IRS generally is binding on the IRS. However, the IRS ruling will not rule that the spin-off satisfies every requirement for a tax-free spin-off, and the parties will rely solely on the opinion of counsel described below for comfort that such additional requirements are satisfied.

The spin-off and merger are also conditioned upon Verizon's receipt of an opinion of Debevoise & Plimpton LLP, referred to as Debevoise, counsel to Verizon, to the effect that the spin-off and certain related transactions will qualify as tax-free to Verizon, Spinco and the stockholders of Verizon. The opinion will rely on the IRS ruling as to matters covered by it.

Both the IRS ruling and the opinion of counsel will be based on, among other things, certain representations and assumptions as to factual matters made by Verizon, Spinco and Frontier. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the IRS ruling or the opinion of counsel. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the IRS ruling and the opinion will be based on current law, and cannot be relied upon if current law changes with retroactive effect.

The spin-off will be taxable to Verizon pursuant to Section 355(e) of the Code if there is a 50% or more change in ownership of either Verizon or Spinco, directly or indirectly, as part of a plan or series of related transactions that include the spin-off. Because Verizon stockholders will collectively own more than 50% of the Frontier common stock following the merger, the merger alone will not cause the spin-off to be taxable to Verizon under Section 355(e). However, Section 355(e) might apply if other acquisitions of stock of Verizon before or after the merger, or of Frontier after the merger, are considered to be part of a plan or series of related transactions that include the spin-off. If Section 355(e) applied, Verizon might recognize a very substantial amount of taxable gain.

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Under the tax sharing agreement, in certain circumstances, and subject to certain limitations, Frontier is required to indemnify Verizon against taxes on the spin-off that arise as a result of actions or failures to act by Frontier, or as a result of changes in ownership of the stock of Frontier after the merger. See Risk Factors Risks Relating to the Spin-Off and the Merger Frontier will be unable to take certain actions after the merger because such actions could jeopardize the tax-free status of the spin-off or the merger, and such restrictions could be significant and The Transaction Agreements Additional Agreements Between Frontier, Verizon and Their Affiliates The Tax Sharing Agreement. In some cases, however, Verizon might recognize gain on the spin-off without being entitled to an indemnification payment under the tax sharing agreement.

See Material United States Federal Income Tax Consequences of the Spin-Off and the Merger.

If the merger does not qualify as a tax-free reorganization under Section 368 of the Code, Frontier and the stockholders of Verizon may be required to pay substantial U.S. federal income taxes.

The obligations of Verizon and Frontier to consummate the merger are conditioned, respectively, on Verizon's receipt of an opinion of Debevoise, counsel to Verizon, and Frontier's receipt of an opinion of Cravath, Swaine & Moore LLP, referred to as Cravath, counsel to Frontier, in each case to the effect that the merger will qualify as a tax-free reorganization under Section 368(a) of the Code, and that no gain or loss will be recognized as a result of the merger by Spinco or by Spinco stockholders (except for cash in lieu of fractional shares). These opinions will be based upon, among other things, certain representations and assumptions as to factual matters made by Verizon, Spinco and Frontier. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the opinions. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the opinions will be based on current law, and cannot be relied upon if current law changes with retroactive effect. If the merger were taxable, Spinco stockholders would recognize taxable gain or loss on their receipt of Frontier stock in the merger, and Spinco would be considered to have made a taxable sale of its assets to Frontier.

Frontier will be unable to take certain actions after the merger because such actions could jeopardize the tax-free status of the spin-off or the merger, and such restrictions could be significant.

The tax sharing agreement prohibits Frontier from taking actions that could reasonably be expected to cause the spin-off to be taxable or to jeopardize the conclusions of the IRS ruling or opinions of counsel received by Verizon or Frontier. In particular, for two years after the spin-off, Frontier may not:

enter into any agreement, understanding or arrangement or engage in any substantial negotiations with respect to any transaction involving the acquisition, issuance, repurchase or change of ownership of Frontier capital stock, or options or other rights in respect of Frontier capital stock, subject to certain exceptions relating to employee compensation arrangements, stock splits, open market stock repurchases and stockholder rights plans;

permit certain wholly owned subsidiaries owned by Spinco at the time of the spin-off to cease the active conduct of the Spinco business to the extent it was conducted immediately prior to the spin-off; or

voluntarily dissolve, liquidate, merge or consolidate with any other person, unless Frontier survives and the transaction otherwise complies with the restrictions in the tax sharing agreement.

The tax sharing agreement further restricts Frontier from repaying, or modifying the terms of, the Spinco debt securities, if any.

Nevertheless, Frontier is permitted to take any of the actions described above if it obtains Verizon's consent, or if it obtains a supplemental IRS private letter ruling (or an opinion of counsel that is reasonably acceptable to Verizon) to the effect that the action will not affect the tax-free status of the spin-off or the merger. However, the

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receipt by Frontier of any such consent, opinion or ruling does not relieve Frontier of any obligation it has to indemnify Verizon for an action it takes that causes the spin-off to be taxable to Verizon.

Because of these restrictions, for two years after the merger, Frontier may be limited in the amount of capital stock that it can issue to make acquisitions or to raise additional capital. Also, Frontier's indemnity obligation to Verizon may discourage, delay or prevent a third party from acquiring control of Frontier during this two-year period in a transaction that stockholders of Frontier might consider favorable. See *The Transaction Agreements*, *The Merger Agreement*, *The Transaction Agreements*, *Additional Agreements Between Frontier, Verizon and Their Affiliates*, *The Tax Sharing Agreement* and *Material United States Federal Income Tax Consequences of the Spin-Off and the Merger*.

Investors holding shares of Frontier common stock immediately prior to the merger will, in the aggregate, have a significantly reduced ownership and voting interest after the merger and will exercise less influence over management.

After the merger's completion, Frontier stockholders will, in the aggregate, own a significantly smaller percentage of the combined company than they will collectively own of Frontier immediately prior to the merger. Depending on the trading prices of Frontier common stock prior to the closing of the merger and before accounting for the elimination of fractional shares and adjustments for any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger and the spin-off, Frontier stockholders will collectively own between approximately 29% and 34% of the combined company's outstanding equity immediately following the closing of the merger. Consequently, Frontier stockholders, collectively, will be able to exercise less influence over the management and policies of the combined company than they would be able to exercise over the management and policies of Frontier immediately prior to the merger. Moreover, the number of shares of Frontier common stock to be issued to Verizon stockholders pursuant to the merger agreement is subject to increase by any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain government approvals in the Spinco territory that are required to complete the merger or the spin-off, and any such increase may be significant. In addition, Verizon will have the right to initially designate three of the twelve members of the board of directors of the combined company.

The pendency of the merger could adversely affect the business and operations of Frontier and the Spinco business.

In connection with the pending merger, some customers of each of Frontier and the Spinco business may delay or defer decisions or may end their relationships with the relevant company, which could negatively affect the revenues, earnings and cash flows of Frontier and the Spinco business, regardless of whether the merger is completed. Similarly, current and prospective employees of Frontier and the Spinco business may experience uncertainty about their future roles with the combined company following the merger, which may materially adversely affect the ability of each of Frontier and the Spinco business to attract and retain key personnel during the pendency of the merger.

Risks Related to the Combined Company's Business Following the Merger

The combined company will likely face further reductions in access lines, switched access minutes of use, long distance revenues and federal and state subsidy revenues, which could adversely affect it.

The businesses that will make up the combined company have experienced declining access lines, switched access minutes of use, long distance revenues, federal and state subsidies and related revenues because of economic conditions, increasing competition, changing consumer behavior (such as wireless displacement of wireline use, e-mail use, instant messaging and increasing use of Voice over Internet Protocol, referred to as VoIP), technology changes and regulatory constraints. For example, Frontier's access lines declined 7% in 2008,

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and 6% in 2007 (excluding the access lines added through Frontier's acquisitions of Commonwealth and GVN). In addition, Frontier's switched access minutes of use declined 9% in 2008 and 8% in 2007 (excluding the switched access minutes added through Frontier's acquisitions of Commonwealth and GVN). The Spincos business's access lines declined 10% in 2008, and 8% in 2007. In addition, the Spincos business's switched access minutes of use declined 11% in 2008 and 11% in 2007. These factors, among others, are likely to cause the combined company's local network service, switched network access, long distance and subsidy revenues to continue to decline, and these factors may cause the combined company's cash generated by operations to decrease.

The combined company will face intense competition, which could adversely affect it.

The communications industry is extremely competitive and competition is increasing. The traditional dividing lines between local, long distance, wireless, cable and Internet service providers are becoming increasingly blurred. Through mergers and various service expansion strategies, service providers are striving to provide integrated solutions both within and across geographic markets. The combined company's competitors will include competitive local exchange carriers and other providers (or potential providers) of services, such as Internet service providers, wireless companies, VoIP providers and cable companies that may provide services competitive with the services that the combined company will offer or will intend to introduce. Competition will continue to be intense following the merger, and Frontier cannot assure you that the combined company will be able to compete effectively. Frontier also believes that wireless and cable telephony providers have increased their penetration of various services in Frontier's and Spincos markets. Frontier expects the combined company to continue to lose access lines at least in the near term and that competition with respect to all the products and services of the combined company will increase.

Frontier expects competition to intensify as a result of the entrance of new competitors, penetration of existing competitors into new markets, changing consumer behavior and the development of new technologies, products and services that can be used in substitution for the combined company's products and services. Frontier cannot predict which of the many possible future technologies, products or services will be important in order to maintain the combined company's competitive position or what expenditures will be required to develop and provide these technologies, products or services. The combined company's ability to compete successfully will depend on the success and cost of capital expenditure investments in the Spincos territory as well as the cost of marketing efforts and on the combined company's ability to anticipate and respond to various competitive factors affecting the industry, including a changing regulatory environment that may affect the combined company and its competitors differently, new services that may be introduced (including wireless broadband offerings), changes in consumer preferences, demographic trends, economic conditions and pricing strategies by competitors. Increasing competition may reduce the combined company's revenues and increase the combined company's marketing and other costs as well as require the combined company to increase its capital expenditures and thereby decrease its cash flow.

Some of the combined company's future competitors will have superior resources, which may place the combined company at a cost and price disadvantage.

Some of the companies that will be competitors of the combined company will have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially greater than those of the combined company. In addition, some of these future competitors will be able to raise capital at a lower cost than the combined company. Consequently, some of these competitors may be able to develop and expand their communications and network infrastructures more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements, take advantage of acquisition and other opportunities more readily and devote greater resources to the marketing and sale of their products and services than the combined company. Additionally, the greater brand name recognition of some future competitors may require the combined company to price its services at lower levels in order to retain or obtain customers. Finally, the cost advantages of some of these competitors may give them the ability to reduce their prices for an extended period of time if they so choose.

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The combined company may be unable to grow its revenues and cash flows despite the initiatives Frontier has implemented and intends to continue after the merger.

The combined company must produce adequate revenues and cash flows that, when combined with funds available under Frontier's revolving credit facility, which will continue to be the combined company's revolving credit facility (subject to any permitted refinancing or replacement thereof by Frontier), will be sufficient to service the combined company's debt, fund its capital expenditures, pay its taxes, fund its pension and other employee benefit obligations and pay dividends pursuant to its dividend policy. Frontier has implemented and will continue to implement several growth initiatives that will affect the combined company, including increasing marketing promotions and related expenditures and launching new products and services with a focus on areas that are growing or demonstrate meaningful demand such as wireline and wireless high-speed Internet, referred to as HSI, satellite video products and the Frontier Peace of Mind suite of products, including computer technical support. Frontier cannot assure you that these initiatives will improve the combined company's financial position or its results of operations.

Weak economic conditions may decrease demand for the combined company's services.

The combined company could be sensitive to the ongoing recession if current economic conditions or their effects continue following the merger. Downturns in the economy and competition in the combined company's markets could cause some of the combined company's customers to reduce or eliminate their purchases of the combined company's basic and enhanced services, HSI and video services and make it difficult for the combined company to obtain new customers. In addition, if current economic conditions continue, they could cause the combined company's customers to delay or discontinue payment for its services.

Disruption in the combined company's networks and infrastructure may cause the combined company to lose customers and incur additional expenses.

To attract and retain customers, the combined company will need to provide customers with reliable service over its networks. Some of the risks to the combined company's networks and infrastructure include physical damage to access lines, security breaches, capacity limitations, power surges or outages, software defects and disruptions beyond its control, such as natural disasters and acts of terrorism. From time to time in the ordinary course of business, the combined company could experience short disruptions in its service due to factors such as cable damage, inclement weather and service failures of the combined company's third-party service providers. The combined company could experience more significant disruptions in the future. The combined company could also face disruptions due to capacity limitations if changes in the combined company's customers' usage patterns for its HSI services result in a significant increase in capacity utilization, such as through increased usage of video or peer-to-peer file sharing applications. Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause the combined company to lose customers and incur additional expenses, and thereby adversely affect its business, revenues and cash flows.

The combined company's business will be sensitive to the creditworthiness of its wholesale customers.

The combined company will have substantial business relationships with other telecommunications carriers for whom it will provide service. While bankruptcies of these carriers have not had a material adverse effect on Frontier or the Spinco business in recent years, future bankruptcies in their industry could result in the loss of significant customers by the combined company, as well as more price competition and uncollectible accounts receivable. Such bankruptcies may be more likely in the future if current economic conditions continue into 2010 or beyond. As a result, the combined company's revenues and results of operations could be materially and adversely affected.

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A significant portion of the combined company's workforce will be represented by labor unions and will therefore be subject to collective bargaining agreements, and if the combined company is unable to enter into new agreements or renew existing agreements before they expire, the combined company workers subject to collective bargaining agreements could engage in strikes or other labor actions that could materially disrupt the combined company's ability to provide services to its customers.

As of June 30, 2009, Frontier had approximately 5,400 active employees. Approximately 2,800, or 52%, of these employees were represented by unions and were therefore subject to collective bargaining agreements. Of the union-represented employees, approximately 1,000, or 36%, were subject to collective bargaining agreements that expire in 2009 and approximately 300, or 11%, were subject to collective bargaining agreements that expire in 2010.

As of July 31, 2009, assuming the contribution had taken place as of that date, Spinco would have had approximately 10,700 active employees. Approximately 8,000, or 75%, of these employees were represented by unions and were therefore subject to collective bargaining agreements. Of the union-represented employees, approximately 300, or less than 4%, were subject to collective bargaining agreements that expire in 2009 and approximately 3,300, or 44%, were subject to collective bargaining agreements that expire in 2010.

Frontier cannot predict the outcome of negotiations for the collective bargaining agreements of the combined company. If the combined company is unable to reach new agreements or renew existing agreements, employees subject to collective bargaining agreements may engage in strikes, work slowdowns or other labor actions, which could materially disrupt the combined company's ability to provide services. New labor agreements or the renewal of existing agreements may impose significant new costs on the combined company, which could adversely affect its financial condition and results of operations in the future.

The combined company may complete a significant strategic transaction that may not achieve intended results or could increase the number of its outstanding shares or amount of outstanding debt or result in a change of control.

The combined company will evaluate and may in the future enter into additional strategic transactions. Any such transaction could happen at any time following the closing of the merger, could be material to the combined company's business and could take any number of forms, including, for example, an acquisition, merger or a sale of all or substantially all of the combined company's assets.

Evaluating potential transactions and integrating completed ones may divert the attention of the combined company's management from ordinary operating matters. The success of these potential transactions will depend, in part, on the combined company's ability to realize the anticipated growth opportunities and cost synergies through the successful integration of the businesses the combined company acquires with its existing business. Even if the combined company is successful in integrating the acquired businesses, Frontier cannot assure you that these integrations will result in the realization of the full benefit of any anticipated growth opportunities or cost synergies or that these benefits will be realized within the expected time frames. In addition, acquired businesses may have unanticipated liabilities or contingencies.

If the combined company completes an acquisition, investment or other strategic transaction, the combined company may require additional financing that could result in an increase in the number of its outstanding shares or the aggregate amount of its debt, although there are restrictions on the ability of the combined company to issue additional shares of stock for these purposes for two years after the merger. See **Risk Factors** **Risks Relating to the Spin-Off and the Merger** Frontier will be unable to take certain actions after the merger because such actions could jeopardize the tax-free status of the spin-off or the merger, and such restrictions could be significant and **The Transaction Agreements** **Additional Agreements Between Frontier, Verizon and Their Affiliates** **Tax Sharing Agreement**. The number of shares of the combined company's common stock or the aggregate principal amount of its debt that it may issue may be significant. A strategic transaction may result in a change in control of the combined company or otherwise materially and adversely affect its business.

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Risks Related to Liquidity, Financial Resources and Capitalization

If the recent severe contraction in the global financial markets and current economic conditions continue into 2010, this economic scenario may have an impact on the combined company's business and financial condition.

If the diminished availability of credit and liquidity due to the recent severe contraction in the global financial markets and current economic conditions continues into 2010, this economic scenario may affect the financial health of the combined company's customers, vendors and partners, which in turn may negatively affect the combined company's revenues, operating expenses and cash flows. In addition, although Frontier believes, based on information available to Frontier, that the financial institutions that have outstanding commitments under Frontier's revolving credit facility (which will continue to be the revolving credit facility of the combined company, subject to any permitted refinancing or replacement thereof by Frontier) will be able to fulfill their commitments to the combined company, if the current economic environment and the recent severe contraction in the global financial markets continue until 2010, this could change in the future.

The combined company will have significant debt maturities in 2011, when approximately \$870 million of the combined company's debt, representing a portion of Frontier's debt outstanding prior to the merger, will mature. Historically, Frontier has refinanced its debt obligations well in advance of scheduled maturities. Given the current credit environment, the combined company's ability to access the capital markets may be restricted and its cost of borrowing may be materially higher than Frontier's financing costs have been historically.

As a result of negative investment returns arising from a contraction in the global financial markets and ongoing payment of benefits, Frontier's pension plan assets have declined from \$822.2 million at December 31, 2007, to \$578.1 million at June 30, 2009, a decrease of \$244.1 million, or 30%. This decrease consisted of a decline in asset value of \$148.0 million, or 18%, and benefits paid of \$96.1 million, or 12%. As a result of the continued accrual of pension benefits under the applicable pension plan and the continued negative investment returns arising from the continued contraction of the global financial markets, Frontier expects that Frontier's pension expenses will increase in 2009. Frontier will be required to make a cash contribution to its pension plan beginning in 2011, although pension asset volatility could require Frontier to make a cash contribution no earlier than 2010. Once the merger is consummated, the combined company will maintain Frontier's pension plan and will be responsible for contributions to fund the plan's liabilities, and may be required to continue making these cash contributions in respect of liabilities under Frontier's pension plan. The combined company will also, upon consummation of the merger, maintain pension plans that assume the Spinco business's pension plan liabilities for active employees. The applicable Verizon pension plans will transfer assets to the pension plans of the combined company pursuant to applicable law and the terms of the employee matters agreement entered into among Verizon, Spinco and Frontier, referred to as the employee matters agreement. Following the merger, the combined company will be responsible for making any required contributions to the new pension plans to fund liabilities of the plans, and the ongoing pension expenses of the Spinco business may require the combined company to make cash contributions in respect of the Spinco business's pension plan liabilities.

Substantial debt and debt service obligations may adversely affect the combined company.

Frontier has a significant amount of indebtedness, which amounted to approximately \$4.9 billion as of June 30, 2009. The Spinco business will have indebtedness in the amount of approximately \$3.4 billion at the closing of the merger. After the merger, the combined company 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 Frontier's existing indebtedness, which would increase its total debt.

The potential significant negative consequences on the combined company's financial condition and results of operations that could result from its substantial debt include:

limitations on the combined company's ability to obtain additional debt or equity financing;

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instances in which the combined company is unable to meet the financial covenants contained in its debt agreements or to generate cash sufficient to make required debt payments, which circumstances would have the potential of accelerating the maturity of some or all of the combined company's outstanding indebtedness;

the allocation of a substantial portion of the combined company's cash flow from operations to service the combined company's debt, thus reducing the amount of the combined company's cash flow available for other purposes, including operating costs, capital expenditures and dividends that could improve the combined company's competitive position, results of operations or stock price;

requiring the combined company to sell debt or equity securities or to sell some of its core assets, possibly on unfavorable terms, to meet payment obligations;

compromising the combined company's flexibility to plan for, or react to, competitive challenges in its business and the communications industry; and

the possibility of the combined company being put at a competitive disadvantage with competitors who do not have as much debt as the combined company, and competitors who may be in a more favorable position to access additional capital resources.

The combined company will require substantial capital to upgrade and enhance its operations.

Verizon's historical capital expenditures in connection with the Spinco business have been significantly lower than Frontier's level of capital expenditures. Replacing or upgrading the combined company's infrastructure will require significant capital expenditures, including any expected or unexpected expenditures necessary to make replacements or upgrades to the existing infrastructure of the Spinco business. If this capital is not available when needed, the combined company's business will be adversely affected. Responding to increases in competition, offering new services, and improving the capabilities of, or reducing the maintenance costs associated with, the combined company's plant may cause the combined company's capital expenditures to increase in the future. In addition, the combined company's anticipated annual dividend of \$0.75 per share will utilize a significant portion of the combined company's cash generated by operations and therefore could limit the combined company's ability to increase capital expenditures significantly. While Frontier believes that the combined company's anticipated cash flows will be adequate to maintain this dividend policy while allowing for capital spending and other purposes, any material reduction in cash generated by operations and any increases in capital expenditures, interest expense or cash taxes would reduce the amount of cash available for further capital expenditures and payment of dividends. Accelerated losses of access lines, the effects of increased competition, lower subsidy and access revenues and the other factors described above may reduce the combined company's cash generated by operations and may require the combined company to increase capital expenditures.

Risks Related to Regulation

Changes in federal or state regulations may reduce the access charge revenues the combined company will receive.

A significant portion of Frontier's revenues (approximately \$285 million, or 13%, in 2008) and a significant portion of Verizon's Separate Telephone Operations' revenues (approximately \$212 million, or 5%, in 2008) are derived from access charges paid by other carriers for services Frontier and the Spinco business provide in originating and terminating intrastate and interstate long distance traffic. As a result, Frontier expects a significant portion of the combined company's revenues to continue to be derived from access charges paid by these carriers for services that the combined company will provide in originating and terminating this traffic. The amount of access charge revenues that Frontier and the Spinco business receive (and, after the closing, the combined company will receive) for these services is regulated by the Federal Communications Commission, referred to as the FCC, and state regulatory agencies.

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The FCC is considering proposals that may significantly change interstate, intrastate and local intercarrier compensation. When and how these proposed changes will be addressed are unknown and, accordingly, Frontier cannot predict the impact of future changes on the combined company's results of operations. However, future reductions in the combined company's access revenues will directly affect the combined company's profitability and cash flows as those regulatory revenues do not have substantial associated variable expenses.

Certain states also have open proceedings to address reform to access charges and other intercarrier compensation. Frontier cannot predict when or how these matters will be decided or the effect on the combined company's subsidy or access revenues. In addition, Frontier has been approached by, and is currently involved in formal state proceedings with, various carriers seeking reductions in intrastate access rates in certain states. Certain of those claims have led to formal complaints to the applicable state regulatory agencies. A material reduction in the access revenues the combined company will receive would adversely affect its financial results.

The combined company will be reliant on support funds provided under federal and state laws.

A portion of Frontier's revenues (approximately \$120 million in the aggregate, or 5.4%, in 2008) and a portion of Verizon's Separate Telephone Operations' revenues (approximately \$235 million in the aggregate, or 5.4%, in 2008) are derived from federal and state subsidies for rural and high cost support, commonly referred to as universal service fund subsidies, including the Federal High Cost Loop Fund, federal interstate access support, federal interstate common line support, federal local switching support fund, various state funds and surcharges billed to customers. The FCC and state regulatory agencies are currently considering a number of proposals for changing the manner in which eligibility for federal and state subsidies is determined as well as the amounts of such subsidies. Although the FCC issued an order on May 1, 2008 to cap the amounts that competitive eligible telecommunications carriers, referred to as CETCs, may receive from the high cost Federal Universal Service Fund, referred to as the USF, this CETC cap may only remain in place until the FCC takes additional steps. In November 2008, the FCC issued a Further Notice of Proposed Rulemaking seeking comment on several different alternatives, some of which could significantly reduce the amount of federal high cost universal service support that the combined company would receive. Frontier cannot predict if or when the FCC will take additional actions or the effect of any such actions on the combined company's subsidy revenues.

Federal subsidies representing interstate access support, rural high cost loop support and local switching support represented approximately \$74 million, or 3%, of Frontier's revenues in 2008 and approximately \$125 million, or 3%, of Verizon's Separate Telephone Operations' revenues in 2008. Frontier currently expects that as a result of both an increase in the national average cost per loop and a decrease in Frontier's and the Spinco business's cost structure, there will be a decrease in the subsidy revenues Frontier and the Spinco business will earn in 2009 through the Federal High Cost Loop Fund. The amount of federal interstate access support funds received may also decline as that fund is also subject to a national cap and the amounts allocated among carriers within that cap can vary from year to year. State subsidies represented approximately \$9 million, or less than 1%, of Frontier's revenues in 2008 and approximately \$25 million, or less than 1%, of Verizon's Separate Telephone Operations' revenues in 2008. Approximately \$37 million, or 2%, of Frontier's 2008 revenues, and approximately \$85 million, or 2%, of Verizon's Separate Telephone Operations' 2008 revenues, represents a surcharge to customers (local, long distance and interconnection) to recover universal service fund contribution fees which are remitted to the FCC and recorded as an expense in other operating expenses.

The combined company and its industry will likely remain highly regulated, and the combined company will likely incur substantial compliance costs that could constrain its ability to compete in its target markets.

As an incumbent local exchange carrier, the combined company will be subject to significant regulation from federal, state and local authorities. This regulation will restrict the combined company's ability to change its rates, especially on its basic services and its access rates, and will impose substantial compliance costs on the

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combined company. Regulation will constrain the combined company's ability to compete and, in some jurisdictions, it may restrict how the combined company is able to expand its service offerings. In addition, changes to the regulations that govern the combined company may have an adverse effect upon its business by reducing the allowable fees that it may charge, imposing additional compliance costs or otherwise changing the nature of its operations and the competition in its industry.

Pending FCC rulemakings and state regulatory proceedings, including those relating to intercarrier compensation and universal service, could have a substantial adverse impact on the combined company's operations.

Risks Related to Technology

In the future, as competition intensifies within the combined company's markets, the combined company may be unable to meet the technological needs or expectations of its customers, and may lose customers as a result.

The communications industry is subject to significant changes in technology. If the combined company does not replace or upgrade technology and equipment, it will be unable to compete effectively because it will not be able to meet the needs or expectations of its customers. Replacing or upgrading the combined infrastructure could result in significant capital expenditures.

In addition, rapidly changing technology in the communications industry may influence the combined company's customers to consider other service providers. For example, the combined company may be unable to retain customers who decide to replace their wireline telephone service with wireless telephone service. In addition, VoIP technology, which operates on broadband technology, now provides the combined company's competitors with a low-cost alternative to provide voice services to the combined company's customers, and wireless broadband technologies may permit the combined company's competitors to offer broadband data services to the combined company's customers throughout most or all of its service areas.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, revenue enhancements, competitive positions, growth opportunities, plans and objectives of the management of Frontier and the combined company, the merger and the market for Frontier common stock and other matters. Statements in this document and the documents incorporated by reference herein that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. These forward-looking statements, including, without limitation, those relating to the future business prospects, revenues and income of Frontier and the combined company, wherever they occur in this document, speak as of the date of this proxy statement/prospectus only and are necessarily estimates reflecting the best judgment of Frontier management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in and incorporated by this proxy statement/prospectus.

Words such as estimate, project, plan, intend, expect, anticipate, believe, would, should, could and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this proxy statement/prospectus, including in the section entitled Risk Factors. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include those set forth under Risk Factors, as well as, among others, risks and uncertainties relating to:

the ability of Frontier to complete the merger;

the failure to obtain, delays in obtaining or adverse conditions contained in any required regulatory approvals for the merger;

the failure to receive the IRS ruling approving the tax-free status of the transactions;

the failure of Frontier stockholders to adopt the merger agreement, amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock and approve the issuance of shares of Frontier common stock pursuant to the merger agreement;

the ability to successfully integrate the Spinco business's operations into Frontier's existing operations;

the effects of increased expenses due to activities related to the merger;

the ability to migrate the Spinco business's West Virginia operations from Verizon owned and operated systems and processes to Frontier owned and operated systems and processes successfully;

the risk that the growth opportunities and cost synergies from the merger may not be fully realized or may take longer to realize than expected;

the sufficiency of the assets contributed by Verizon to Spinco to enable the combined company to operate the Spinco business;

disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers;

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

reductions in the number of the combined company's access lines and HSI subscribers;

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

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the effects of ongoing changes in the regulation of the communications industry as a result of federal and state legislation and regulation;

the effects of competition from cable, wireless and other wireline carriers (through VoIP or otherwise);

the ability to adjust successfully to changes in the communications industry and to implement strategies for improving growth;

adverse changes in the credit markets or in the ratings given to Frontier's or the combined company's debt securities by nationally accredited ratings organizations, which could limit or restrict the availability, or increase the cost, of financing;

reductions in switched access revenues as a result of regulation, competition or technology substitutions;

the effects of changes in both general and local economic conditions on the markets the combined company serves, which can affect demand for its products and services, customer purchasing decisions, collectability of revenues and required levels of capital expenditures related to new construction of residences and businesses;

changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles or regulations;

the ability to effectively manage the combined company's operations, operating expenses and capital expenditures, to pay dividends and to repay, reduce or refinance the combined company's debt;

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

the effects of technological changes and competition on the combined company's capital expenditures and product and service offerings, including the lack of assurance that the combined company's 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, or federal or state tax assessments;

the effects of state regulatory cash management policies on the combined company's ability to transfer cash among the combined company's subsidiaries and to the parent company;

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

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declines in the value of the combined company's pension plan assets, which could require the combined company to make contributions to the pension plan beginning no earlier than 2010;

the effects of any unfavorable outcome with respect to any of Frontier's or the Spinco business's 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 the combined company would have no control; and

the effects of hurricanes, ice storms or other severe weather.

Frontier undertakes no obligation to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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THE SPECIAL MEETING

Date, Time and Place

These proxy materials are delivered in connection with the solicitation by the Frontier board of proxies to be voted at the Frontier special meeting, which is to be held on _____, _____ at _____, local time, at _____. On or about _____, Frontier commenced mailing this proxy statement/prospectus and the enclosed proxy card to its stockholders entitled to vote at the meeting.

Purpose of the Special Meeting

At the special meeting, Frontier stockholders will be asked to vote on the following proposals:

1. To adopt the merger agreement;
2. To amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock from 600,000,000 to 1,750,000,000; and
3. To approve the issuance of Frontier common stock pursuant to the merger agreement.

APPROVAL OF EACH OF THE PROPOSALS SET FORTH IN ITEMS 1, 2 AND 3 IS REQUIRED FOR COMPLETION OF THE MERGER.

THE FRONTIER BOARD HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE MERGER AND UNANIMOUSLY RECOMMENDS THAT FRONTIER STOCKHOLDERS VOTE FOR THE MERGER PROPOSALS. STOCKHOLDER APPROVAL OF THE MERGER PROPOSALS IS NECESSARY TO EFFECT THE MERGER. THE APPROVAL OF EACH OF THE MERGER PROPOSALS IS CONDITIONED UPON THE APPROVAL OF EACH OF THE OTHER MERGER PROPOSALS.

Record Date and Outstanding Shares

The Frontier board has fixed the close of business on September 14, 2009 as the record date for determining the holders of Frontier common stock entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.

As of the record date, approximately _____ shares of Frontier common stock were issued and outstanding and entitled to notice of, and to vote at, the special meeting and there were _____ holders of record of Frontier common stock. Each share of Frontier common stock entitles the holder thereof to one vote on each matter to be considered at the special meeting. A complete list of stockholders entitled to vote at the special meeting will be open to the examination of stockholders on the special meeting date and for a period of ten days prior to the special meeting, during ordinary business hours, at the offices of Frontier, 3 High Ridge Park, Stamford, Connecticut 06905.

Record holders of Frontier common stock on the record date may vote their shares of Frontier common stock in person at the special meeting or by proxy as described below under _____ Voting by Proxy.

Quorum

The presence of a majority of the shares of Frontier common stock entitled to vote at the special meeting, represented in person or by proxy, will constitute a quorum at the special meeting. If a Frontier stockholder signs and returns his or her proxy card or submits his or her proxy via telephone or Internet, that stockholder's shares will be counted to determine whether Frontier has a quorum even if the stockholder abstains or fails to vote as indicated on the proxy card.

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Required Vote

The affirmative vote of a majority of the outstanding shares of Frontier common stock entitled to vote is required to adopt the merger agreement and to amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock. The affirmative vote of a majority of the votes cast by holders of shares of Frontier common stock is required to approve the issuance of Frontier common stock pursuant to the merger agreement. The approval of each of the merger proposals is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved.

Because the required vote of Frontier stockholders for the adoption of the merger agreement and for the amendment of Frontier's certificate of incorporation is based on the number of outstanding shares of Frontier common stock entitled to vote, rather than on the number of shares actually voted, the failure by the holder of any such shares to submit a proxy by mail, by telephone or over the Internet or to vote in person at the special meeting, including abstentions and broker non-votes, will have the same effect as a vote against such proposals. However, failure by the holder of such shares to respond with a vote or to instruct his or her broker or other nominee how to vote on the proposal to issue shares of Frontier common stock pursuant to the merger agreement will have no effect on such proposal, assuming a quorum is present at the special meeting.

No vote of Verizon stockholders is required or being sought in connection with the spin-off or the merger.

Voting by Proxy

Giving a proxy means that a Frontier stockholder authorizes the persons named in the enclosed proxy card to vote his or her shares at the special meeting in the manner such stockholder directs. A Frontier stockholder may cause his or her shares to be voted by granting a proxy or by voting in person at the meeting. Follow the instructions on the enclosed proxy card to vote on the matters to be considered at the special meeting.

Stockholders may submit a proxy to vote their shares by Internet, telephone or mail without attending the special meeting. To submit a proxy to vote by mail, mark, sign and date the proxy card and return it to Frontier in the postage-paid envelope provided. To submit a proxy to vote by Internet or telephone 24 hours a day, seven days a week, follow the instructions on the proxy card. Submitting a proxy by Internet or by telephone provides the same authority to vote shares as if the stockholder had returned his or her proxy card by mail.

The individuals named and designated as proxies in the proxy card will vote the shares as instructed by the stockholder. If a registered holder of Frontier common stock does not mark a selection, his or her proxy will be counted as a vote for the proposals to adopt the merger agreement, to amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock and to approve the issuance of Frontier common stock pursuant to the merger agreement.

Frontier requests that Frontier stockholders complete and sign the accompanying proxy card and return it to Frontier in the enclosed postage-paid envelope or submit the proxy by telephone or the Internet as soon as possible. When the accompanying proxy card is returned properly executed, or the proxy is properly submitted via telephone or the Internet, the shares of Frontier stock represented by the proxy will be voted at the special meeting in accordance with the instructions contained on the proxy card or the Internet or telephone instructions.

If a Frontier stockholder's shares are held in street name by a broker or other nominee, such stockholder must give specific instructions to such broker or nominee as to how to vote such shares at the special meeting, absent which such shares will not be voted and will count as a vote against the proposals to adopt the merger agreement and to amend Frontier's restated certificate of incorporation to increase the number of authorized shares of Frontier common stock (though it will have no effect on the vote to approve the issuance of Frontier common stock pursuant to the merger agreement).

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Revocability of Proxies and Changes to a Frontier Stockholder's Vote

Frontier stockholders of record may revoke their proxies at any time prior to the time their shares are voted at the special meeting. A stockholder can change his or her vote by (i) giving Frontier a written notice revoking the stockholder's proxy card, (ii) signing, dating and returning to Frontier a new proxy card, (iii) submitting a new proxy via telephone or the Internet or (iv) attending the special meeting and voting his or her shares in person. Frontier will honor the proxy card or telephone or Internet proxy submission with the latest date.

Proxy revocation notices sent by mail should be sent to Frontier Communications Corporation c/o Frontier's Secretary, at Frontier's address set forth in this proxy statement/prospectus. New proxy cards should be sent to the address on the proxy card.

Attending the special meeting and voting shares in person will revoke a proxy, as described above, but attendance alone at the special meeting will not revoke a proxy. If the stockholder instructed a broker to vote his or her shares and the stockholder wishes to change his or her instructions, the stockholder must follow the broker's directions for changing those instructions. If an adjournment occurs and no new record date is set, it will have no effect on the ability of Frontier stockholders of record as of the record date to exercise their voting rights or to revoke any previously delivered proxies.

Solicitation of Proxies

This solicitation is made on behalf of the Frontier board. Frontier has retained MacKenzie Partners, Inc. to assist in the solicitation of proxies. MacKenzie Partners, Inc. may solicit proxies by telephone, facsimile, other forms of electronic transmission and by mail. It is anticipated that the fee for those services will be approximately \$15,000 plus reimbursement for customary out-of-pocket expenses. Frontier will pay the costs of soliciting and obtaining the proxies, including the cost of reimbursing brokers, banks and other financial institutions for forwarding proxy materials to their customers. In addition, proxies may be solicited, without extra compensation, by Frontier's officers and employees in person or by telephone, facsimile, electronic transmission and by mail.

In addition, Frontier will request that brokerage houses, banks and other custodians or nominees holding shares in their names for others forward proxy materials to their customers or principals who are the beneficial owners of shares, and Frontier will reimburse them for their expenses in doing so.

Other Matters

As of the date of this proxy statement/prospectus, the Frontier board knows of no other matters that will be presented for consideration at the special meeting other than as described in this proxy statement/prospectus. If any other matters properly come before the special meeting of Frontier stockholders, or any adjournments of the special meeting are proposed and are properly voted upon, the enclosed proxies will give the individuals that Frontier stockholders name as proxies discretionary authority to vote the shares represented by these proxies as to any of these matters; provided, however, that those individuals will only exercise this discretionary authority with respect to matters that were unknown a reasonable time before the solicitation of proxies.

Transfer Agent

Frontier's transfer agent is Illinois Stock Transfer Company. Frontier stockholders should contact the transfer agent, at the phone number or address listed below, if they have questions concerning stock certificates, dividend checks, transfer of ownership or other matters pertaining to their stock accounts.

Illinois Stock Transfer Company

209 West Jackson Boulevard, Suite 903

Chicago, IL 60606-6905

Telephone: (800) 757-5755 (in the United States, Puerto Rico and Canada)

or (312) 427-2953 (outside the United States, Puerto Rico and Canada)

Fax: (312) 427-2879

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THE TRANSACTIONS

General

On May 13, 2009, Verizon and Frontier announced that they had entered into a transaction providing for the spin-off of Verizon's local exchange business in the Spinco territory and the subsequent merger of Spinco with and into Frontier. In order to effect the spin-off and merger, Verizon, Spinco and Frontier entered into a number of agreements, including the merger agreement and the distribution agreement. These agreements, which are described in greater detail in this proxy statement/prospectus, provide for the contribution to Spinco of defined assets and liabilities of the local exchange business and related landline activities of Verizon in the Spinco territory, including Internet access and long distance services and broadband video provided to designated customers in the Spinco territory. More specifically, Verizon's local exchange business in the Spinco territory is currently conducted by a number of Verizon entities. Certain of these entities conduct business only in the Spinco territory, while others conduct business both within and outside the Spinco territory. The entities that conduct business only in the Spinco territory will be contributed to Spinco without realignment of their assets and liabilities. The other entities either (i) will be contributed to Spinco after transferring their non-Spinco assets and liabilities to another subsidiary of Verizon or (ii) will transfer their Spinco assets and liabilities to newly created entities which will then be contributed to Spinco. In connection with its contribution to Spinco, Verizon will receive \$3.333 billion in aggregate value in the form of the special cash payment, the Verizon debt reduction and, in certain circumstances, the Spinco debt securities. In connection with these transactions, Spinco also will issue additional shares of Spinco common stock to Verizon, which will be distributed in the spin-off as described below. These agreements also provide for Verizon's distribution of all of the shares of Spinco common stock to a third-party distribution agent to be held collectively for the benefit of Verizon stockholders, the merger of Spinco with and into Frontier, with Frontier continuing as the combined company, and the conversion of shares of Spinco common stock into shares of Frontier common stock and the payment of cash in lieu of fractional shares.

Transaction Timeline

Below is a step-by-step list illustrating the sequence of material events relating to the spin-off of Spinco and merger of Spinco with and into Frontier. Each of these events is discussed in more detail elsewhere in this proxy statement/prospectus. Verizon and Frontier anticipate that the steps will occur in the following order:

Step 1 Verizon will engage in a series of restructuring transactions to effect the transfer of (i) defined assets and liabilities of the local exchange business and related landline activities of Verizon in the Spinco territory to certain entities that will become Spinco subsidiaries to the extent such assets and liabilities are not currently located within an entity that will become a Spinco subsidiary and (ii) defined assets and liabilities not related to the local exchange business and related landline activities of Verizon in the Spinco territory and currently located within an entity that will become a Spinco subsidiary to Verizon or another subsidiary of Verizon that will not become a Spinco subsidiary.

Step 2 Spinco will incur indebtedness to make a special cash payment to Verizon in an amount not to exceed the lesser of (i)(x) \$3.333 billion minus (y) the distribution date indebtedness and (ii) Verizon's estimate of its tax basis in the assets transferred to Spinco. Verizon currently anticipates that its tax basis in the assets to be transferred to Spinco will be greater than or equal to \$3.333 billion.

Step 3 Verizon will contribute to Spinco all of the equity interests in the entities that will become Spinco subsidiaries and related customer relationships for Internet access, long distance services and broadband video currently provided to designated customers in the Spinco territory to a subsidiary of Spinco in exchange for (i) the special cash payment to Verizon described in Step 2 above and (ii) if required, the issuance to Verizon of the Spinco debt securities having a principal amount equal to (A) \$3.333 billion less (B) the sum of (1) the special cash payment and (2) the distribution date indebtedness.

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Step 4 Verizon will be permitted to exchange the Spinco debt securities for debt obligations of Verizon or otherwise transfer those Spinco debt securities to stockholders or creditors of Verizon. However, if Verizon elects to make this exchange concurrently with the distribution and prior to the closing of the merger, the distribution and the merger will be conditioned upon, among other things, Verizon having exchanged a principal amount of Spinco debt securities sufficient to retire indebtedness of Verizon in the aggregate principal amount equal to \$3.333 billion less the sum of the special cash payment and the distribution date indebtedness.

Step 5 Verizon will then spin off Spinco by distributing all of the shares of Spinco common stock to a third-party distribution agent to be held collectively for the benefit of Verizon stockholders.

Step 6 Spinco will merge with and into Frontier, with Frontier surviving as the combined company, and the shares of Spinco common stock held by the distribution agent will be converted into the number of shares of Frontier common stock that Verizon stockholders will be entitled to receive in the merger.

Step 7 The distribution agent will distribute shares of Frontier common stock and cash in lieu of fractional shares to Verizon stockholders on a pro rata basis in accordance with the terms of the merger agreement.

The Spin-Off

As part of the spin-off, Verizon will engage in a series of preliminary restructuring transactions to effect the transfer to entities that will become Spinco subsidiaries of defined assets and liabilities of the local exchange business and related landline activities of Verizon in the Spinco territory, including Internet access and long distance services and broadband video provided to designated customers in the Spinco territory. In addition, entities that have been designated as Spinco subsidiaries but which hold non-Spinco assets and liabilities will transfer those assets and liabilities to Verizon or another subsidiary of Verizon that will not become a Spinco subsidiary. In connection with these preliminary restructuring transactions, and immediately prior to the distribution and closing of the merger, Verizon will contribute all of the equity interests of the Spinco subsidiaries to Spinco, and in connection with such contribution receive:

the special cash payment;

the Verizon debt reduction; and

if required, the Spinco debt securities.

Also in connection with these contributions, Spinco will issue additional shares of Spinco common stock to Verizon, which will be distributed in the spin-off as described below.

As a result of the transactions, Verizon will receive \$3.333 billion in aggregate value in the form of the special cash payment, the Verizon debt reduction and, in certain circumstances, the Spinco debt securities. The \$3.333 billion in aggregate value to be received by Verizon in the transactions was determined in the negotiations between Verizon and Frontier regarding the overall valuation of the transactions.

Prior to the distribution, Spinco will consummate certain financing transactions to (1) finance the special cash payment to Verizon referred to above and (2) if required, issue the Spinco debt securities to Verizon. For a more complete discussion of the financing of the combined company, see Financing of the Combined Company.

After the contribution and immediately prior to the merger, Verizon will spin off Spinco by distributing all of the shares of Spinco common stock to a third-party distribution agent to be held collectively for the benefit of Verizon stockholders. Spinco will then merge with and into Frontier, and the shares of Spinco common stock will

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be immediately converted into the number of shares of Frontier common stock Verizon stockholders will be entitled to receive in the merger. The third-party distribution agent will then distribute these shares of Frontier common stock and cash in lieu of fractional shares to Verizon stockholders on a pro rata basis in accordance with the terms of the merger agreement.

The Merger

In the merger, Spinco will merge with and into Frontier in accordance with the terms of the merger agreement. The separate existence of Spinco will cease and Frontier will survive the merger as a stand-alone company and will hold and conduct the combined business operations of Frontier and Spinco.

Verizon stockholders will be entitled to receive a number of shares of Frontier common stock to be determined based on the calculation set forth below under Calculation of Merger Consideration. Holders of Verizon common stock will not be required to pay for the shares of Frontier common stock they receive and will also retain all of their shares of Verizon common stock. Existing shares of Frontier common stock will remain outstanding.

By virtue of the merger, in addition to remaining the obligor on all then-existing Frontier debt, the combined company will have additional indebtedness of approximately \$3.4 billion representing debt incurred by Spinco in connection with the special cash payment financing, the distribution date indebtedness and, if required, any Spinco debt securities. Based upon Frontier's outstanding indebtedness as of June 30, 2009 of approximately \$4.9 billion, Frontier currently anticipates that the combined company will have approximately \$8.3 billion in total debt immediately following the closing of the merger.

Calculation of Merger Consideration

The merger agreement provides that Frontier will issue to holders of Verizon common stock an aggregate number of shares of Frontier common stock equal to (1) \$5,247,000,000, divided by (2) the Frontier average price. The quotient of this equation is referred to as the aggregate merger consideration. The aggregate number of shares of Frontier common stock to be issued as the aggregate merger consideration will therefore change depending on the Frontier average price, which is the average of the volume-weighted averages of the trading prices of Frontier common stock for the Frontier average price calculation period. However, the merger agreement provides that if the Frontier average price, as calculated, exceeds \$8.50, then the Frontier average price will be \$8.50, and if the Frontier average price, as calculated, is less than \$7.00, then the Frontier average price will be \$7.00. Additionally, the amount referred to in clause (1) above is subject to increase by any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off. As a result, the number of shares of Frontier common stock issuable pursuant to the merger agreement may increase, and any such increase could be significant. Pursuant to the distribution agreement, Verizon will distribute shares of Spinco common stock to a third-party distribution agent for the benefit of Verizon stockholders. Each share of Spinco common stock held by the distribution agent will be converted into the right to receive a number of shares of Frontier common stock equal to (a) the aggregate merger consideration divided by (b) the number of shares of Spinco common stock outstanding as of the closing of the merger. The quotient of this equation is referred to as the per share merger consideration.

Depending on the Frontier average price, it is currently expected that Verizon stockholders will collectively own between approximately 66% and 71% of the combined company's outstanding equity immediately following the closing of the merger, and Frontier stockholders will collectively own between approximately 29% and 34% of the combined company's outstanding equity immediately following the closing of the merger (in each case, prior to the elimination of fractional shares and assuming no amounts paid, payable or forgone by Verizon related to governmental approvals, as described above). For example, if the closing of the merger had occurred on September 10, 2009, based on the average of the volume-weighted averages of the trading prices of

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Frontier common stock for the period of 30 consecutive trading days ending September 4, 2009 (the third trading day before September 10, 2009), as reported by the NYSE, the Frontier average price would have equaled \$7.03. Prior to the elimination of fractional shares and assuming no adjustment was required for any amounts related to governmental approvals as described above, Verizon stockholders would have received an aggregate of 746,372,688 shares of Frontier common stock in the merger. This amount would have represented approximately 70.5% of the combined company's equity immediately after the closing of the merger if the closing occurred on that date. Based on these assumptions, each Verizon stockholder would have received one share of Frontier common stock for approximately every 3.8059 shares of Verizon common stock the Verizon stockholder owned on the assumed record date for the spin-off. However, any change in the Frontier average price from the sample calculation of the Frontier average price used in the above example will, subject to the collar, cause the aggregate number of shares of Frontier common stock to be issued pursuant to the merger agreement (and the per share consideration to be received by Verizon stockholders in the merger) to change. In addition, any changes resulting from adjustments required for amounts related to governmental approvals as described above will cause the aggregate number of shares of Frontier common stock to be issued (and the per share consideration to be received by Verizon stockholders) to change, and any change in the number of shares of Verizon common stock outstanding prior to the record date of the spin-off (together with any shares of Verizon common stock issued pursuant to the exercise of Verizon stock options between the record date for the spin-off and the date of the spin-off) will cause the per share consideration to be received by Verizon stockholders to change. The amount of any such change could be significant.

No fractional shares of Frontier common stock will be issued to Verizon stockholders in the merger. Each Verizon stockholder will receive a cash payment in lieu of any fractional share of Frontier common stock to which he or she would otherwise be entitled. The ownership percentages in this section have been calculated prior to the elimination of fractional shares in the merger. This elimination will result in a lower percentage ownership of the combined company by Verizon stockholders.

Please read carefully the composite forms of the merger agreement and the distribution agreement, which incorporate the amendments to the merger agreement and distribution agreement dated as of July 24, 2009 and are attached as Annex A-1 and Annex A-2, respectively, to this proxy statement/prospectus and incorporated in this proxy statement/prospectus by reference, because they set forth the terms of the merger and the distribution of shares of Frontier common stock to Verizon stockholders.

Trading Markets

Verizon Common Stock

It is currently expected that beginning not earlier than two business days before the record date to be established for the spin-off, and continuing through the closing date of the merger (or the previous business day, if the merger closes before the opening of trading in Verizon common stock and Frontier common stock on the NYSE on the closing date), there will be two markets in Verizon common stock on the NYSE: a regular way market and an ex-distribution market.

If a Verizon stockholder sells shares of Verizon common stock in the regular way market under the symbol VZ during this time period, that Verizon stockholder will be selling both his or her shares of Verizon common stock and the right (represented by a due-bill) to receive shares of Spinco common stock that will be converted into shares of Frontier common stock, and cash in lieu of fractional shares (if any), at the closing of the merger. Verizon stockholders should consult their brokers before selling their shares of Verizon common stock in the regular way market during this time period to be sure they understand the effect of the NYSE due-bill procedures. The due-bill process is not managed, operated or controlled by Verizon.

If a Verizon stockholder sells shares of Verizon common stock in the ex-distribution market during this time period, that Verizon stockholder will be selling only his or her shares of Verizon common stock, and will retain the right to receive shares of Spinco common stock that will be converted into shares of Frontier common stock, and cash in lieu of fractional shares (if any), at the closing of the

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merger. It is currently expected that ex-distribution trades of Verizon common stock will settle within three business days after the closing date of the merger and that if the merger is not completed all trades in this ex-distribution market will be cancelled. After the closing date of the merger, shares of Verizon common stock will no longer trade in the ex-distribution market, and shares of Verizon common stock that are sold in the regular way market will no longer reflect the right to receive shares of Spinco common stock that will be converted into shares of Frontier common stock, and cash in lieu of fractional shares (if any), at the closing of the merger.

Frontier Common Stock

It is currently expected that beginning not earlier than two business days before the record date to be established for the spin-off, and continuing through the closing date of the merger (or the previous business day, if the merger closes before the opening of trading in Verizon common stock and Frontier common stock on the NYSE on the closing date), there will be two markets in Frontier common stock on the NYSE: a regular way market and a when issued market.

The regular way market will be the regular trading market for issued shares of Frontier common stock under the symbol FTR.

The when issued market will be a market for the shares of Frontier common stock that will be issued to Verizon stockholders at the closing of the merger. If a Verizon stockholder sells shares of Frontier common stock in the when issued market during this time period, that Verizon stockholder will be selling his or her right to receive shares of Frontier common stock at the closing of the merger. It is currently expected that when issued trades of Frontier common stock will settle within three business days after the closing date of the merger and that if the merger is not completed, all trades in this when issued market will be cancelled. After the closing date of the merger, shares of Frontier common stock will no longer trade in this when issued market.

Background of the Merger

In the ordinary course of business, Frontier periodically reviews and assesses industry developments and available strategic alternatives to enhance stockholder value. During the past two years, representatives of Frontier held various conversations with representatives of other communications companies and initiated due diligence activities in connection with potential business combination transactions in which Frontier would either be the acquiror or the seller. None of these conversations or activities, other than those with Verizon, ultimately resulted in an agreement.

In early January 2009, Frontier's senior leadership team met for several days to discuss strategic and other operational matters. During this time, Mary Agnes Wilderotter, Frontier's Chairman, President and Chief Executive Officer, met with the chief executive officer of another communications company, referred to as Company A, and the two discussed the state of the communications industry and the possibility of a business combination transaction between Company A and Frontier, including potential terms and structure of such a transaction.

On January 21, 2009, Mrs. Wilderotter met with the chief executive officer of another communications company to discuss industry issues and to explore the possibility of Frontier acquiring certain assets from that company. That chief executive officer indicated that the assets were not for sale.

On January 22, 2009, Frontier and Company A entered into a mutual confidentiality agreement, and thereafter exchanged non-public information regarding their respective businesses. From late January 2009 through the third week of February 2009, representatives of Frontier and Company A conducted due diligence and held various discussions regarding the potential terms and structure of a business combination transaction.

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involving an acquisition of Frontier by Company A, including valuation, closing certainty and post-closing management and board composition of the combined company. In addition, during this period, the Frontier board met several times and received updates from Frontier management and advisors concerning the status of such discussions. At the strategic planning meeting of the Frontier board held from February 4 to February 6, 2009, during which the chief executive officer of Company A addressed the Frontier board regarding the possible business combination between Company A and Frontier, the Frontier board, after considering updates on the status of discussions with Company A as well as other possible strategic alternatives, directed Mrs. Wilderotter to continue discussions with Company A but to also make contact with the chief executive officers of certain other companies to see if they had any interest in pursuing a transaction with Frontier. During subsequent negotiations, Frontier and Company A were unable to reach agreement on the terms of a transaction, and discussions were terminated by Company A on February 23, 2009. At a meeting of the Frontier board on February 24, 2009, Frontier management advised the Frontier board of the termination of discussions with Company A, and the Frontier board directed Frontier management to continue to evaluate other potential opportunities for a strategic transaction while also focusing on operating Frontier as a stand-alone company, including issuing new debt securities in one or more offerings, the proceeds of which could be used to retire existing debt obligations.

On February 11, 2009, Mrs. Wilderotter contacted Ivan Seidenberg, Verizon's Chairman and Chief Executive Officer, by telephone to discuss whether Verizon would be interested in having Frontier acquire certain portions of Verizon's local exchange business. During the telephone conversation, Mr. Seidenberg did not express any specific interest in such a transaction, but agreed to have a meeting with Mrs. Wilderotter on March 11, 2009, and to consider a preliminary proposal from Frontier for such a transaction.

In early March, Mrs. Wilderotter and Mr. Seidenberg held a telephone conversation during which they confirmed the details of the March 11, 2009 meeting, including the fact that Donald R. Shassian, Frontier's Executive Vice President and Chief Financial Officer, and John W. Diercksen, Verizon's Executive Vice President Strategy, Development and Planning, would be attending.

On or about March 9, 2009, Mr. Shassian and Mr. Diercksen participated in a telephone conversation during which they discussed the general parameters of what Frontier intended to present to Verizon at the meeting scheduled for March 11, 2009.

On March 11, 2009, Mrs. Wilderotter and Mr. Shassian met with Messrs. Seidenberg and Diercksen to discuss Frontier's preliminary proposal for a potential transaction pursuant to which Frontier would acquire Verizon's local exchange business in eleven states. The group discussed certain assumptions relating to the operations of Verizon's local exchange business in these eleven states, the benefits of the proposed transaction to Frontier and Verizon and Frontier's ability to successfully integrate and operate the larger business that would result from the proposed transaction. The group also discussed including two additional states in the scope of the proposed transaction. In addition, Frontier proposed certain terms for the proposed transaction based solely on publicly available information and other assumptions made by Frontier with respect to the Verizon business Frontier proposed to acquire. At the conclusion of the meeting, Mr. Seidenberg told Mrs. Wilderotter and Mr. Shassian that he would respond to Frontier's preliminary proposal in approximately two weeks and would at that time indicate whether Verizon would be interested in pursuing a transaction with Frontier. In the interim, Mr. Seidenberg authorized Mr. Diercksen to continue working on an accelerated basis with Mr. Shassian to refine the framework of Frontier's proposal.

Later in the day on March 11, 2009, Mrs. Wilderotter and Mr. Shassian updated the Frontier board concerning the nature of their discussions with Messrs. Seidenberg and Diercksen earlier that day.

From March 11 through March 17, 2009, Mrs. Wilderotter had various communications with Mr. Seidenberg, and Mr. Shassian had various communications with Mr. Diercksen, regarding the possible Verizon state operations that might be included in a potential transaction and Frontier's experience in integrating and operating other acquired businesses, including those acquired from GTE Corporation, a predecessor of Verizon.

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On March 16, 2009, Mrs. Wilderotter discussed with the chief executive officer of another communications company whether that company would be interested in a strategic combination of all or part of that company with Frontier. That chief executive officer responded to Mrs. Wilderotter that such company was not interested in engaging in any discussions at that time.

On March 19, 2009, Frontier and Verizon entered into a mutual confidentiality agreement. Later that same day, representatives of Verizon provided Frontier information about Verizon's proposed structure for implementing a transaction with Frontier, including the separation and spin-off of the specific business that Verizon proposed to transfer, referred to as the transferring business, and its acquisition by Frontier by means of a simultaneous merger with Frontier.

On March 25, 2009, Verizon sent to Frontier a term sheet containing certain non-financial terms concerning the potential transaction, including a proposed structure for the transaction, the states to be included in the transaction and details regarding the assets that would be included and excluded from the transaction.

Also on March 25, 2009, Mrs. Wilderotter and Mr. Shassian held a telephone conversation with Messrs. Seidenberg and Diercksen, in which Mr. Seidenberg indicated that Verizon was prepared to proceed with further discussions concerning the proposed transaction. After the call, representatives of Frontier and Verizon discussed the process for further discussions, including plans for exchanging additional non-public information and conducting due diligence reviews of their respective businesses. On a conference call later in the day on March 25, 2009, Mrs. Wilderotter and Mr. Shassian updated the Frontier directors as to the status of the discussions with Verizon. The Frontier directors encouraged Frontier management to continue to explore the proposed transaction with Verizon.

On March 26, 2009, Verizon provided certain preliminary non-public information concerning the transferring business that had been requested by Frontier.

On March 27, 2009, Mr. Shassian, together with other representatives of Frontier, met with Mr. Diercksen and other representatives of Verizon at the offices of Frontier to discuss the non-financial terms concerning the potential transaction contained in the term sheet prepared by Verizon.

From March 27, 2009 through April 1, 2009, representatives of Frontier and Verizon engaged in discussions and e-mail communications regarding the operational and financial performance of the transferring business.

On March 30 and April 3, 2009, electronic data rooms containing non-public information related to Frontier's business and the transferring business were opened for review by the parties in connection with the proposed transaction. In addition, representatives of Frontier and Verizon began engaging in numerous due diligence discussions and meetings with respect to different areas of their respective businesses. These discussions continued until the execution of definitive documentation for the transaction.

On April 13, 2009, Frontier and its legal and financial advisors received from Debevoise, counsel to Verizon, drafts of the merger agreement, the distribution agreement and the tax sharing agreement in connection with the proposed transaction.

On April 16, 2009, the Frontier board held a special meeting, during which Frontier management provided the Frontier board with a comprehensive review of the discussions to date regarding the proposed Verizon transaction, a description of the significant outstanding business and legal issues and an update on the status of Frontier's due diligence review of the transferring business. Representatives of Evercore and Citi, Frontier's financial advisors, presented an overview of the communications industry and reviewed strategic opportunities available to Frontier, including the proposed transaction with Verizon, and compared these opportunities to Frontier's outlook as a stand-alone company and to the previously discussed transaction with Company A. In

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addition, representatives of Cravath, Frontier's legal advisor, provided an overview of applicable legal standards and director fiduciary duties in the context of considering a business combination transaction and other strategic alternatives. After extensive consideration, the Frontier board directed Frontier management to continue to pursue discussions with Verizon.

From April 21 through April 29, 2009, Mrs. Wilderotter, Mr. Shassian and other representatives of Frontier, including Frontier's financial advisors, had a number of meetings and communications with Mr. Diercksen and other representatives of Verizon, including Verizon's financial advisors, to obtain additional information regarding the transferring business in each of the states to be included in the potential transaction and to discuss various terms of such a transaction. The parties discussed various aspects of the operational and financial performance of the transferring business in the context of a discussion on valuation, and shared certain additional data addressing certain of those matters. After a substantial negotiation, the parties ultimately agreed (subject to agreement on other material structural and other terms of a transaction) on a working framework for the valuation terms of the potential transaction, including:

an enterprise valuation for Spinco of \$8.6 billion;

the aggregate amount of the special cash payment, Verizon debt reduction and, if required, Spinco debt securities that Verizon would receive of \$3.333 billion;

the method for determining the amount of Frontier common stock to be issued as aggregate merger consideration, which would be based on the average trading prices of Frontier common stock for the period of 30 trading days ending shortly prior to the closing of the merger, with a 15% up or down collar on the average Frontier common stock price around the 30 trading day average closing price prior to signing the merger agreement (which at the time would have represented a minimum average Frontier common stock price of \$6.21 and a maximum average Frontier common stock price of \$8.40); and

Verizon having a termination right if the average trading price of Frontier common stock during any period of 60 trading days prior to the closing of the merger is below 50% of the Frontier common stock price at the time of signing of the merger agreement.

On April 30, 2009, Mrs. Wilderotter and Mr. Shassian had a telephone conversation with Messrs. Seidenberg and Diercksen to discuss the progress that had been made to date on the status of the proposed transaction and the areas in which significant business and legal issues remained unresolved.

On May 1, 2009, the Frontier board held a special meeting. At that meeting, Frontier management and financial advisors gave presentations regarding the economic terms of the proposed transaction and the relative merits of the proposed transaction as compared to Frontier's other strategic options, including the option of continuing as a stand-alone company, and Cravath reviewed with the Frontier board the fiduciary duties of the Frontier board in connection with its evaluation of the proposed transaction. The Frontier board engaged in an extensive discussion regarding the proposed transaction and Frontier's strategic options. Thereafter, the Frontier board instructed management to continue its due diligence review and proceed with contract negotiations with Verizon on the proposed transaction.

On May 3, 2009, representatives of Frontier sent to representatives of Verizon comments to the draft merger agreement, the draft distribution agreement and certain other draft transaction agreements. On May 5, 2009, representatives of Verizon proposed adding certain of Verizon's businesses in portions of California bordering Arizona, Nevada and Oregon to the scope of the transferring business, which Frontier agreed to on May 7, 2009. Between May 6 and May 9, 2009, representatives of Frontier and Verizon discussed the principal business and legal issues and negotiated the terms of the draft transaction documents, and exchanged revised versions of the documents.

During the course of discussions between Frontier and Verizon, the chief executive officer of Company A contacted Mrs. Wilderotter from time to time seeking to schedule a meeting regarding the possibility of re-starting discussions concerning a potential sale of Frontier to Company A. The chief executive officer of Company A,

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however, did not offer any concrete proposal regarding what the terms of such a transaction would be. At the direction of the Frontier board, Mrs. Wilderotter indicated that it was not the right time to have such discussions and did not engage in any substantive discussions with the chief executive officer of Company A during this period. The chief executive officer of Company A and Mrs. Wilderotter planned to meet sometime in early May to discuss whether any further discussions regarding a possible transaction between Company A and Frontier were warranted.

In the afternoon on May 9, 2009, prior to any meeting with the chief executive officer of Company A, Mrs. Wilderotter received a telephone call from the chief executive officer of Company A, who indicated that Company A planned to deliver a letter to Frontier later that day concerning a proposed transaction. Later that day, Company A delivered to Frontier a letter proposing that Company A acquire Frontier on the same economic terms as last proposed by Company A in February 2009, before discussions between Frontier and Company A were terminated. The letter indicated that Company A was willing to accept several of Frontier's prior requests relating to increased transaction certainty, but did not otherwise provide details concerning the terms of Company A's proposal.

On the evening of May 10, 2009, the Frontier board held a special telephonic meeting to discuss the letter from Company A. Frontier management and its financial and legal advisors provided a summary concerning the Company A letter and the status of the Verizon negotiations. The Frontier board engaged in an extensive discussion regarding the Company A letter and the proposed Verizon transaction with Frontier's senior management and legal and financial advisors, and discussed the relative merits and risks of the two potential transactions, as compared to each other and to Frontier's other strategic options, including the option of continuing as a stand-alone company. The Frontier board instructed Frontier management to continue negotiations with Verizon on the terms of the proposed transaction with Verizon, including seeking improvements on the economic terms thereof. The Frontier board also instructed Mrs. Wilderotter to contact Company A and request its best and final proposal on price and contract terms, including a merger agreement that Company A would be willing to execute, by May 12, 2009.

On the morning of May 11, 2009, Mr. Shassian and another Frontier representative met with Mr. Diercksen and another Verizon representative to discuss revising the economic terms of the proposed transaction with Verizon. After substantial discussion, Frontier and Verizon agreed in principle that the Frontier average price for determining the aggregate merger consideration would not be less than \$7.00 or greater than \$8.50 (as opposed to the \$6.21 and \$8.40 that had been previously discussed), which reflected an approximate 10% up or down collar on Frontier's then-current common stock price of approximately \$7.75.

Also on the morning of May 11, 2009, following the instruction from the Frontier board, Mrs. Wilderotter contacted the chief executive officer of Company A and asked him to provide Company A's best and final offer on value, along with a proposed merger agreement, by early May 12, 2009. The Company A chief executive officer indicated that Company A would do so.

During the rest of the day on May 11, 2009, representatives of Frontier and Verizon negotiated the final material terms of the proposed transaction documents between Frontier and Verizon.

On the evening of May 11, 2009, the Verizon board of directors, referred to as the Verizon board, met to discuss the proposed transaction and approved the proposed transaction. Verizon management, together with Verizon's financial advisors Barclays Capital and JP Morgan Chase, also reviewed and discussed with the Verizon board certain financial analyses relating to the terms of the spin-off and the proposed merger with Frontier. Debevoise also discussed the transaction and described the proposed terms of the transaction agreements. Thereafter, the Verizon board unanimously approved the spin-off and the merger agreement and approved the merger with Frontier in accordance with Delaware law.

On May 12, 2009, Company A sent Frontier a letter reaffirming the economic terms of its May 9, 2009 proposal to Frontier, without any changes, along with a proposed draft merger agreement, which was

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substantially similar to the last draft merger agreement proposed by Company A in February 2009 prior to the termination of discussions. Frontier and its advisors evaluated the terms of Company A's proposal, including the terms of the draft merger agreement, and prepared a summary thereof for the Frontier board.

Later in the day on May 12, 2009, the Frontier board held a special meeting at the offices of Frontier. At the meeting, Frontier management updated the Frontier board on the status of the negotiations with Verizon and the terms of the latest offer from Company A, including the strategic rationale and potential benefits and risks of each of the potential transactions. Representatives of Cravath reviewed and discussed with the Frontier board the fiduciary duties of directors in the context of considering Frontier's strategic alternatives, and reviewed with the Frontier board the principal terms of the merger agreement and other transaction agreements for the proposed Verizon transaction as well as the principal terms of the Company A merger agreement. Frontier management, together with representatives of Evercore and Citi, also reviewed and discussed with the Frontier board certain financial analyses relating to the terms of each of the potential transactions. The Frontier board then considered and discussed the relative strategic benefits and risks of each potential transaction, as compared to each other and to Frontier's stand-alone position. The Frontier board then asked Evercore and Citi to provide a financial analysis of the potential Verizon transaction, and Evercore and Citi indicated they were each prepared to deliver an opinion to the Frontier board to the effect that, as of such date, and based on and subject to the assumptions made, matters considered and limitations on the scope of review undertaken by each of Evercore and Citi as set forth in their respective opinions, the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement with Verizon was fair, from a financial point of view, to Frontier and holders of Frontier common stock (solely in their capacity as holders of Frontier common stock with regard to Evercore's opinion). Members of the Frontier board then discussed the two transactions among themselves and with Frontier management and Frontier's legal and financial advisors. After a lengthy discussion, the Frontier board had an executive session in which they discussed the transactions separately with Mrs. Wilderotter, and then with Frontier's legal and financial representatives without the presence of any members of Frontier management. Mrs. Wilderotter and members of Frontier management then rejoined the meeting and the Frontier board unanimously determined that the merger agreement and proposed transaction with Verizon were advisable, fair to and in the best interests of Frontier and its stockholders, approved the merger agreement and the proposed transaction with Verizon in accordance with Delaware law and recommended that the Frontier stockholders adopt the Verizon merger agreement, amend the Frontier restated certificate of incorporation to increase the number of authorized shares of Frontier common stock and approve the issuance of Frontier common stock pursuant to the merger agreement. The Frontier board also authorized the appropriate officers of Frontier to finalize, execute and deliver the merger agreement and the other transaction documents.

Following the Frontier board meeting, representatives of Frontier and Verizon finalized and executed the merger agreement and the other transaction documents on May 13, 2009.

On May 13, 2009, the transactions were announced before the opening of trading on the NYSE.

On July 24, 2009, representatives of Frontier and Verizon finalized and executed an amendment to the merger agreement clarifying the arrangements relating to retained and shared customers after the closing of the merger. On July 24, 2009, Verizon and Spinco also finalized and executed, and Frontier consented to, an amendment to the distribution agreement to reflect minor adjustments to the assets to be contributed by Verizon to Spinco, and the manner in which the special cash payment to be made to Verizon prior to the closing is to be calculated.

Frontier's Reasons for the Merger

In reaching its decision to approve the merger agreement and the merger, the Frontier board consulted with Frontier's management and legal and financial advisors, and considered a variety of factors weighing in favor of or relevant to the merger, including the following:

The substantial long-term free cash flow per share accretion that the merger is expected to provide to Frontier's stockholders.

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The stronger financial profile for the combined company that would result from the merger (taking into account the proposed reduction in the annual dividend to \$0.75 per share), with lower leverage, more balance sheet flexibility and greater cash flow generation, which is expected to enable the combined company to obtain an investment grade credit rating in the future and provide a more stable dividend payout ratio, and which could not be achieved by Frontier to the same extent either on a stand-alone basis or through pursuing other strategic alternatives.

The increased scale and scope of the combined company, which are expected to provide greater revenue opportunities by allowing Frontier to bring new or different value-added products and services to more customers and implement its successful operating strategy in additional markets.

The broader, rural geographic footprint of the combined company, which is expected to reduce the risk of over-reliance on any single geographic area and minimize the importance of urban and suburban markets where competition from cable and wireless providers is more acute.

The fact that 11 of the 14 states in the Spinco territory are states in which Frontier already conducts business and therefore has existing working relationships in those states from an employee, customer, supplier, community and regulatory perspective.

The benefit to the combined company from capital and operating synergy opportunities that are expected to result from the combination of Frontier's business with the Spinco business (such as leveraging Frontier's existing common support functions and systems to manage the Spinco business), including an anticipated \$500 million annual reduction in operating costs for the combined company.

The fact that the combined company is expected to be managed by Frontier's current senior management team, which has successfully operated the Frontier business and has an established track record of successful business integration as demonstrated by Frontier's prior acquisitions.

The lower leverage, greater market capitalization and broader scale and scope of the combined company, which are expected to provide greater opportunities for Frontier to invest in new or different services and technologies and to participate in further industry consolidation and other strategic opportunities in the future and which could not be achieved by Frontier to the same extent either on a stand-alone basis or through pursuing other strategic alternatives.

In addition to the strategic factors described above, the Frontier board also considered the following additional factors, all of which it viewed as relevant to its decision to approve the merger agreement and the merger:

Frontier's knowledge of the operations, financial condition, earnings and prospects of the Spinco business, taking into account the results of Frontier's due diligence review of the Spinco business.

The current and prospective competitive climate in the communications industry, including the potential for further consolidation.

The strategic alternatives reasonably available to Frontier, including proceeding on a stand-alone basis and pursuing other strategic transactions (including a transaction with Company A).

The current and prospective regulatory landscape in the communications industry.

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The structure of the merger and the terms and conditions of the merger agreement, including the collar placed on the movement of the trading prices of Frontier common stock prior to the closing for purposes of calculating the aggregate merger consideration, and the parties' commitment to complete the merger.

The potential short-term effects on Frontier's stock price from the announcement of the proposed reduction in dividend after the closing of the merger.

The requirement that the realignment of the Spinco business (other than the portion relating to West Virginia) be completed at least 60 days prior to the closing of the merger, giving Frontier the opportunity to confirm that the Spinco business has been segregated, and has been operating on an

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independent basis, from the other businesses of Verizon in accordance with the merger agreement without any need for transition services from Verizon (other than in respect of West Virginia).

The opinions of Evercore and Citi, each delivered orally to the Frontier board on May 12, 2009 and subsequently confirmed in writing by Evercore on May 12, 2009 and by Citi on May 13, 2009, to the effect that, as of that date, and based on and subject to the assumptions made, matters considered and limitations on the scope of review undertaken by each of Evercore and Citi as set forth in their respective opinions, the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement was fair, from a financial point of view, to Frontier and holders of Frontier common stock (solely in their capacity as holders of Frontier common stock with regard to Evercore's opinion), as more fully described below under the captions "Opinions of Frontier's Financial Advisors."

The fact that the existing Frontier stockholders are expected to own between approximately 29% and 34% of the combined company, which percentages are reflected in the relative valuations of Frontier and Spinco, assuming there are no adjustments for amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off.

The Frontier board weighed these advantages and opportunities against a number of other factors identified in its deliberations as weighing against the merger, including:

The challenges inherent in the combination of two businesses of the size and scope of Frontier and the Spinco business and the size of the companies relative to each other, including the risk that integration costs to be borne by Frontier or the combined company may be greater than anticipated and the possible diversion of management attention for an extended period of time both prior to and after the closing of the merger.

The risk that in connection with the creation of Spinco and its carve-out from Verizon, as a result of which it will not have all of the same non-network assets, contracts and resources as it had as part of Verizon, the value of the Spinco business (whether as a result of a reduction in sales or the incurrence of additional costs) may be less than the value the parties assigned to the Spinco business during their negotiations, or that the Spinco business may not operate independently at the time of the closing notwithstanding Frontier's ability to evaluate such independent operation prior to the closing.

The risk of not capturing all the cost savings and operational synergies anticipated from the merger of Frontier and Spinco and the risk that other anticipated benefits might not be realized, and that the long-term free cash flow per share accretion to the Frontier stockholders might not be realized.

The understanding that, while the transaction is expected to be substantially accretive to Frontier's free cash flow per share over time and be more accretive in the long term than other possible strategic alternatives, the transaction is expected to be dilutive to Frontier's free cash flow per share in the first full year of the combined company's operations and be less accretive in the short term than other possible strategic alternatives.

The risk that the revenues and access lines related to the Spinco business will decline at a significantly faster rate prior to the closing of the merger than the rate at which Frontier had anticipated based on its due diligence review and financial analyses of the Spinco business and the merger.

The risk that the capital expenditures required to be spent in the 14 states in which the Spinco business operates after the closing of the merger could be higher than anticipated by Frontier based on its due diligence review and financial analyses of the Spinco business and the merger.

The risk that the merger may not be consummated despite the parties' efforts, including as a result of the parties' inability to obtain the required regulatory approvals or obtain the special cash payment financing, in each case on terms that satisfy the terms of the merger agreement.

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Frontier's inability to terminate the merger agreement to accept an unsolicited third party's alternative strategic proposal that the Frontier board deems to be superior to the merger (but recognizing the Frontier board's right to change its recommendation to Frontier stockholders in the circumstances specified in the merger agreement), together with the \$80 million termination fee payable to Verizon if the merger agreement is terminated under certain circumstances specified in the merger agreement.

The risks of the type and nature described under Risk Factors, and the matters described under Cautionary Statement Regarding Forward-Looking Statements.

The Frontier board determined that these negative factors were outweighed by the advantages and opportunities offered by the merger.

This discussion of the factors considered by the Frontier board includes the principal factors considered, but is not intended to be exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Frontier board did not find it useful to and did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination that the merger is advisable, fair to and in the best interests of Frontier and its stockholders. Rather, the Frontier board conducted an overall review of all of the relevant factors. In addition, individual members of the Frontier board may have given differing weights to different factors.

Frontier's Board of Directors Recommendation to Frontier Stockholders

The Frontier board, by unanimous vote, has determined that the merger is advisable, fair to and in the best interests of Frontier and its stockholders and approved the merger agreement and the merger, and unanimously recommends that Frontier stockholders vote FOR the merger proposals.

Opinions of Frontier's Financial Advisors

Opinion of Evercore Group L.L.C.

In May 2009, Frontier formally engaged Evercore to act as its financial advisor with respect to potential strategic transactions. Frontier engaged Evercore to act as a financial advisor based on its qualifications, experience and reputation. Evercore is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses in connection with mergers and acquisitions, leveraged buyouts, competitive biddings, private placements and valuations for corporate and other purposes.

On May 12, 2009, at a meeting of the Frontier board, Evercore delivered to the Frontier board an oral opinion, which opinion was confirmed by delivery of a written opinion dated May 12, 2009, to the effect that, as of that date and based on and subject to assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth therein, the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement is fair, from a financial point of view, to Frontier and the holders of Frontier common stock (solely in their capacity as holders of Frontier common stock).

The full text of Evercore's written opinion, dated May 12, 2009, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex B-1 to this proxy statement/prospectus and is incorporated by reference in its entirety into this proxy statement/prospectus. Evercore's opinion was directed to the Frontier board and addresses only the fairness to Frontier and the holders of Frontier common stock (solely in their capacity as holders of Frontier common stock), from a financial point of view, of the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement. The opinion does not address any other aspect of the proposed merger and does not constitute a recommendation to the Frontier board or to any other persons in respect of the merger, including as to how any holder of shares of Frontier common stock should vote or act in respect of the merger.

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In connection with rendering its opinion, Evercore, among other things:

reviewed certain publicly available business and financial information relating to Frontier and Verizon in respect of Spinco, respectively, that Evercore deemed to be relevant;

reviewed certain non-public historical financial statements and other historical non-public financial data relating to Frontier and Verizon in respect of Spinco, respectively, prepared and furnished to Evercore by the respective managements of Frontier and Verizon;

reviewed certain non-public projected financial data relating to Frontier and Spinco prepared and furnished to Evercore by the management of Frontier;

reviewed certain historical and projected non-public operating data relating to Frontier and Spinco prepared and furnished to Evercore by the management of Frontier;

discussed the past and current operations, financial projections and current financial condition of Frontier with the management of Frontier (including their views on the risks and uncertainties of achieving such projections);

reviewed the amount and timing of the cost savings and operating synergies estimated by the management of Frontier to result from the merger, referred to as the synergies, and the associated integration costs;

reviewed the reported prices and the historical trading activity of Frontier common stock;

compared the financial performance of Frontier and its stock market trading multiples with those of certain other publicly traded companies that Evercore deemed relevant;

compared the financial performance of Frontier and Spinco and the valuation multiples relating to the merger with those of certain other transactions that Evercore deemed relevant;

reviewed a draft of the original merger agreement, dated May 12, 2009, and a draft of the distribution agreement entered into by Verizon and Spinco on May 13, 2009, which was prior to any subsequent amendment and is referred to as the original distribution agreement, which draft was dated May 12, 2009; and

performed such other analyses and examinations and considered such other factors that Evercore deemed appropriate.

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all of the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumed no liability for such information. With respect to the projected financial data relating to Frontier and Spinco referred to above, Evercore assumed that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Frontier as to the matters covered thereby. Evercore did not receive any projected financial data from Verizon relating to Verizon or Spinco. Evercore also assumed that the synergies are reasonably obtainable, on bases reflecting the best currently available estimates and good faith judgments of the future competitiveness, operating and regulatory environments and related

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financial performance of the combined company and will be realized in the amounts and at the times indicated thereby.

For purposes of rendering its opinion, Evercore assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the original merger agreement are true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the original distribution agreement and the original merger agreement and that all conditions to the consummation of the transactions contemplated by such agreements, including, without limitation, the merger, would be satisfied without material waiver or modification. Evercore also assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the merger and the transactions contemplated

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by the original distribution agreement would be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on Frontier or the consummation of the merger or materially reduce the benefits of the merger to Frontier.

Evercore also assumed that the contribution, the distribution and all of the transactions described in the original distribution agreement would be consummated in accordance with the terms of the original distribution agreement, without any limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise, that collectively would have a material adverse effect on Verizon or Spincor. In addition, Frontier informed Evercore, and accordingly for purposes of rendering its opinion Evercore assumed that the merger, the contribution, the distribution and the other transactions contemplated by the original merger agreement would qualify for the intended tax-free treatment as set forth in the original merger agreement and the distribution agreement. Furthermore, at Frontier's direction and with its consent, Evercore assumed for purposes of rendering its opinion, that the amount of the special cash payment, together with the principal amount of the Spincor debt securities and any distribution date indebtedness, would be approximately \$3.333 billion, that the financial terms of the special cash payment financing would be on economic terms no less favorable to Spincor than those set forth in assumptions provided to Evercore by the management of Frontier, and that the financial terms of the Spincor debt securities would be consistent with those described in Financing of the Combined Company. Evercore also assumed that the final forms of the original merger agreement and original distribution agreement would not differ in any material respect from the last draft of each such agreement reviewed by Evercore.

Evercore did not make or assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of Frontier, Spincor or Verizon and was not furnished with any such appraisals, nor did Evercore evaluate the solvency or fair value of Frontier, Spincor or Verizon under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore's opinion was necessarily based on economic, market and other conditions as in effect on, and on the information made available to Evercore as of, the date of its opinion and accordingly did not consider any amendments to the original merger agreement or the original distribution agreement entered into after the date of its opinion. Subsequent developments may affect Evercore's opinion and Evercore does not have any obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness to Frontier and holders of Frontier common stock (solely in their capacity as holders of Frontier common stock), from a financial point of view, of the aggregate merger consideration to be delivered by Frontier in respect of the shares of Spincor common stock. Evercore did not express any view on, and its opinion did not address, the fairness of the proposed transaction to, or any consideration received in connection with the transaction by, the holders of any other securities, creditors or other constituencies of Frontier, or as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Frontier, or any class of such persons, whether relative to the aggregate merger consideration or otherwise. Evercore assumed that any modification to the structure of the transaction would not vary in any respect material to its analysis. Evercore's opinion does not address the relative merits of the merger as compared to other business or financial strategies that might be available to Frontier, nor does it address the underlying business decision of Frontier to engage in the merger. Evercore is not a legal, regulatory, accounting or tax expert and assumed the accuracy and completeness of assessments by Frontier and its advisors with respect to legal, regulatory, accounting and tax matters. The issuance of Evercore's opinion was approved by an opinion committee of Evercore.

Under the terms of Evercore's engagement, Frontier has agreed to pay Evercore an aggregate fee of \$18 million (which may be increased by Frontier, at its discretion, to \$19 million), of which \$4 million became payable when Evercore rendered its opinion and the remainder of which will become payable upon the closing of the merger. Additional fees may become payable by Frontier to Evercore if any additional services are requested by Frontier. In addition, Frontier has agreed to reimburse Evercore's reasonable and customary out-of-pocket expenses and to indemnify Evercore and related parties for certain liabilities, including liabilities under federal securities laws, arising out of its engagement. Prior to its engagement, Evercore and its affiliates provided

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financial advisory services to Frontier, for which Frontier had reimbursed Evercore's expenses. Evercore may provide financial or other services to Frontier or Verizon in the future and in connection with any such services Evercore may receive compensation.

In the ordinary course of business, Evercore or its affiliates may actively trade the securities or related derivative securities, or financial instruments of Frontier, Verizon and their respective affiliates, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or instruments.

Opinion of Citigroup Global Markets Inc.

Citi was retained in May 2009 to act as financial advisor to Frontier in connection with the transactions involving Spinco and other potential strategic transactions. The material terms of Citi's engagement letter with Frontier are described below. On May 12, 2009, at a meeting of the Frontier board, Citi delivered to the Frontier board an oral opinion, which opinion was subsequently confirmed by delivery of a written opinion, dated May 13, 2009, to the effect that, as of that date and based upon and subject to the assumptions, limitations and considerations set forth therein, Citi's work described below and other factors it deemed relevant, the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement was fair, from a financial point of view, to Frontier and the holders of Frontier common stock.

The full text of Citi's opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Annex B-2 to this proxy statement/prospectus. The summary of Citi's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Frontier stockholders are urged to read Citi's opinion carefully and in its entirety.

In arriving at its opinion, Citi:

reviewed the original merger agreement and the original distribution agreement and held discussions with certain senior officers, directors and other representatives and advisors of Frontier and certain senior officers and other representatives and advisors of Verizon concerning the businesses, operations and prospects of Frontier, Verizon and Spinco;

examined certain publicly available business and financial information relating to Frontier and Verizon as well as certain financial forecasts and other information and data relating to Frontier, Verizon and Spinco which were provided to or discussed with Citi by the respective managements of Frontier and Verizon (except that Citi did not receive any financial forecasts from Verizon relating to Verizon or Spinco);

reviewed information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by the management of Frontier to result from the merger;

reviewed the financial terms of the merger as set forth in the original merger agreement in relation to, among other things: current and historical market prices and trading volumes of Frontier common stock; the historical and projected earnings and other operating data of Frontier and Spinco; and the capitalization and financial condition of Frontier;

considered, to the extent publicly available, the financial terms of certain other transactions which it considered relevant in evaluating the merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations it considered relevant in evaluating those of Frontier and Spinco;

evaluated certain potential pro forma financial effects of the merger; and

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conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as it deemed appropriate in arriving at its opinion.

The issuance of Citi's opinion was authorized by its fairness opinion committee.

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In rendering its opinion, Citi assumed and relied upon, without independent verification, the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it. With respect to financial forecasts and other information and data relating to Frontier, Verizon and Spinco provided to or otherwise reviewed by or discussed with Citi, Citi was advised by the management of Frontier that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Frontier as to the future financial performance of Frontier and Spinco, the potential strategic implications and operational benefits anticipated to result from the merger, the potential terms of the financing to be obtained by Spinco and the other matters covered thereby, and assumed, with the consent of Frontier, that the financial results (including the potential strategic implications and operational benefits anticipated to result from the merger) reflected in such forecasts and other information and data will be realized in the amounts and at the times projected. Citi did not receive any financial forecasts from Verizon relating to Verizon or Spinco.

Citi assumed, with the consent of Frontier, that the merger will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary financings, regulatory or third-party approvals, consents and releases for the merger, no delay, limitation, restriction or condition will be imposed that would have a material adverse effect on Frontier, Spinco or the contemplated benefits of the merger. Citi also assumed, with the consent of Frontier, that the contribution, the distribution and all of the transactions in the original distribution agreement will be consummated in accordance with the terms of the original distribution agreement, without waiver, modification or amendment of any material term, condition or agreement, approvals, consents, releases or otherwise, that collectively would have a material adverse effect on Verizon or Spinco. Citi also assumed that Spinco will be able to secure the financing, in accordance with the terms of the original merger agreement, necessary to consummate the merger. Citi also assumed, with the consent of Frontier, that the contribution, the distribution, the merger and the other transactions contemplated by the original merger agreement and the original distribution agreement will be treated as tax-free reorganizations for federal income tax purposes.

Citi did not express any opinion as to what the value of Frontier common stock actually will be when issued pursuant to the merger or the price at which Frontier common stock will trade at any time. Citi did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Frontier, Verizon or Spinco nor did Citi make any physical inspection of the properties or assets of Frontier, Verizon or Spinco.

Citi was not requested to, and did not, solicit third-party indications of interest in the possible acquisition of all or a part of Frontier, nor was it requested to consider, and its opinion does not address, the underlying business decision of Frontier to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for Frontier or the effect of any other transaction in which Frontier might engage. Citi also expressed no view as to, and its opinion did not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the aggregate merger consideration. Citi's opinion was necessarily based upon information available to it, and financial, stock market and other conditions and circumstances existing, as of May 13, 2009 and accordingly did not consider any amendments to the original merger agreement or the original distribution agreement entered into after the date of its opinion. The credit, financial and stock markets were experiencing unusual volatility and Citi expressed no opinion or view as to any potential effects of such volatility on Frontier, Verizon, or Spinco or the contemplated benefits of the merger.

Citi's advisory services and opinion were provided for the information of the Frontier board, and its opinion was not intended to be and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the merger.

Citi is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts,

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negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Frontier selected Citi to act as its financial advisor on the basis of Citi's international reputation and Citi's familiarity with Frontier. Citi and its affiliates in the past have provided, and currently provide, services to Frontier and its affiliates unrelated to the merger, for which services Citi and its affiliates have received and expect to receive compensation, including, without limitation, acting as a bookrunner, arranger and lender in connection with various Frontier credit facilities and debt offerings. In addition, Citi and its affiliates in the past have provided services to Verizon and its affiliates unrelated to the merger, for which services Citi and its affiliates have received compensation, including, without limitation, acting as a manager, bookrunner, arranger and lender in connection with various Verizon credit facilities and debt offerings. In addition, Citi or one of its affiliates may be a participant in any financing obtained by Spinco in connection with the merger, for which services such entity would receive compensation. In the ordinary course of its business, Citi and its affiliates may actively trade or hold the securities of Frontier or Verizon for its own account or for the account of customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citi and its affiliates, including Citigroup Inc. and its affiliates, may maintain relationships with Frontier, Verizon and their respective affiliates.

Under the terms of Citi's engagement, Frontier has agreed to pay Citi an aggregate fee of \$18 million (which may be increased by Frontier, at its discretion, to \$19 million), of which \$4 million became payable when Citi rendered its opinion and the remainder of which will become payable upon the closing of the merger. Additional fees may become payable by Frontier to Citi if any additional services are requested by Frontier. In addition, Frontier has also agreed to reimburse Citi for its reasonable travel and other out-of-pocket expenses incurred in connection with its engagement, including the reasonable fees and expenses of its counsel, and to indemnify Citi against specific liabilities and expenses relating to or arising out of its engagement, including liabilities under the federal securities laws.

Summary of Joint Financial Analyses

Set forth below is a summary of the material financial analyses reviewed with the Frontier board on May 12, 2009, in connection with Evercore's opinion dated May 12, 2009, and Citi's oral opinion, which opinion was subsequently confirmed by delivery of a written opinion dated May 13, 2009.

Except as described above under *Opinion of Evercore Group L.L.C.* and *Opinion of Citigroup Global Markets Inc.*, Frontier imposed no instructions or limitations on Evercore or Citi with respect to the investigations made or the procedures followed by Evercore or Citi in rendering its opinion. Evercore's and Citi's respective opinions were only one of many factors considered by the Frontier board in its evaluation of the merger and should not be viewed as determinative of the views of the Frontier board or management with respect to the merger or the aggregate merger consideration. See *The Transactions* Frontier's *Reasons for the Merger*.

The aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement was determined through negotiations between Frontier and Verizon and was approved by the Frontier board. Neither Evercore nor Citi recommended any specific merger consideration to Frontier nor that any given merger consideration constituted the only appropriate merger consideration.

In connection with the review of the merger by the Frontier board, Evercore and Citi each performed a variety of financial and comparative analyses, which are summarized below, for purposes of rendering their respective opinions. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described below, without considering the analyses as a whole, could create an incomplete view of the processes underlying each of Evercore's and Citi's respective opinions. In arriving at their respective fairness determinations, Evercore and Citi each considered the results of all the analyses summarized below and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. Rather, Evercore and Citi each made its determination as to fairness on the basis of its experience and professional judgment after

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considering the results of all the analyses. In addition, each of Evercore and Citi may have considered various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be either Evercore's or Citi's view of the value of Frontier or Spinco. No company used in the analyses summarized below as a comparison is identical to Frontier or Spinco, and no transaction used is identical to the merger. Accordingly, such analyses may not necessarily utilize all companies or transactions that could be deemed comparable to Frontier, Spinco or the merger. Further, Evercore's and Citi's analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies or transactions used, including judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Frontier, Verizon and Spinco.

Each of Evercore and Citi conducted the analyses summarized below for the purpose of providing an opinion to the Frontier board as to the fairness to Frontier and the holders of Frontier common stock (solely in their capacity as holders of Frontier common stock with regard to Evercore's opinion), from a financial point of view, of the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock pursuant to the original merger agreement. These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities of Frontier, Verizon or Spinco actually may trade or be sold. Estimates contained in these analyses are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such estimates. Accordingly, estimates used in, and the results derived from, the analyses summarized below are inherently subject to substantial uncertainty, and neither Evercore nor Citi assumes any responsibility if future results are materially different from those forecasted in such estimates.

Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before May 8, 2009, and is not necessarily indicative of current or future market conditions.

The following summary of financial analyses includes information presented in tabular format. These tables alone do not constitute a complete description of the financial analyses and must be read together with the text of each summary in order to understand fully the financial analyses. Considering the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of such financial analyses. In connection with certain of their analyses, Frontier's financial advisors utilized financial forecasts for Frontier prepared by Frontier's management, referred to as the Frontier Management Base Case and the Frontier Management Alternative Case, and financial forecasts for Spinco prepared by Frontier's management.

In conducting their analyses, Frontier's financial advisors used various methodologies to review the valuation of Frontier on a stand-alone basis and Frontier and Spinco on a relative basis, to assess the fairness of the aggregate merger consideration to be delivered by Frontier in respect of the Spinco common stock. Specifically, Frontier's financial advisors conducted analyses of historical share price, research analyst price targets, dividend yield, selected publicly traded companies, selected precedent transactions, discounted cash flow, implied percentage ownership and relative contribution to the combined company.

Stand-alone Valuation Analyses

Historical Share Price Analysis. Evercore and Citi noted that the trailing low and high 52-week intra-day trading prices for shares of Frontier common stock, as of May 8, 2009, were \$5.32 per share and \$12.94 per share, respectively. Evercore and Citi then compared the 52-week intra-day trading prices to the projected price range for shares of Frontier common stock to be issued to holders of shares of Verizon common stock as the aggregate merger consideration, referred to as the collar, with the low end of the collar being \$7.00 per share of Frontier common stock, the mid-point of the collar being \$7.75 per share of Frontier common stock and the high end of the collar being \$8.50 per share of Frontier common stock.

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Research Analyst Price Targets. Evercore and Citi compared selected recent publicly available research analyst price targets for Frontier from the following selected firms who published price targets for Frontier as of May 8, 2009:

Bank of America	Hudson Square
Barclays	JPMorgan
Citi	Piper Jaffray
D.A. Davidson	Raymond James
Goldman Sachs	Stifel Nicolaus
Hilliard Lyons	UBS

Evercore and Citi examined the price targets published by each of the firms above and noted that the low and high per share equity value price targets for Frontier common stock were \$7.00 and \$12.50, respectively. Evercore and Citi then compared the low and high per share equity value analyst price targets to the low end of the collar (\$7.00 per share of Frontier common stock), mid-point of the collar (\$7.75 per share of Frontier common stock) and high end of the collar (\$8.50 per share of Frontier common stock).

Dividend Yield Analysis. Evercore and Citi calculated the implied equity value per share of Frontier common stock based on a range of assumed annual dividends per share and a range of selected dividend yields. Evercore and Citi reviewed the annual dividend yields of Selected Comparable Companies (as defined below) with higher leverage and higher dividend payout ratios (such as Consolidated Communications Holdings, Inc., Iowa Telecommunications Services, Inc. and Windstream Corporation) and the annual dividend yields of Selected Comparable Companies with lower leverage and lower dividend payout ratios (such as AT&T Inc., CenturyTel Communications, Inc., Embarq Corporation, Qwest Communications International Inc. and Verizon). Evercore and Citi noted that the annual dividend yields for the Selected Comparable Companies with higher leverage and higher dividend payout ratios had a range of approximately 11.0% to 12.8% and the annual dividend yields for the Selected Comparable Companies with lower leverage and lower dividend payout ratios had a range of approximately 6.2% to 9.2%.

Evercore and Citi derived ranges of implied equity values per share of Frontier common stock by dividing an assumed annual dividend per share of Frontier Common Stock by an annual dividend yield range that Evercore and Citi selected from the annual dividend yield ranges described above, which they judged, based on their financial advisory experience, to be most appropriate in order to perform their analysis of Frontier. Utilizing Frontier's current annual dividend per share of \$1.00 and a selected annual dividend yield range of approximately 11.0% to 12.5%, Evercore and Citi derived a range of implied equity values per share of Frontier common stock of \$7.99 to \$9.05. Utilizing the projected annual dividend per share of the combined company of \$0.75 and a selected annual dividend yield range of approximately 9.0% to 11.0%, Evercore and Citi derived a range of implied equity values per share of Frontier common stock of \$6.79 to \$8.33.

Evercore and Citi then compared the above calculated values to the low end of the collar (\$7.00 per share of Frontier common stock), mid-point of the collar (\$7.75 per share of Frontier common stock) and high end of the collar (\$8.50 per share of Frontier common stock).

Analysis of Selected Publicly Traded Companies. Evercore and Citi compared certain financial and operating information and commonly used valuation measurements for Frontier to corresponding information and measurements for a group of nine publicly traded comparable companies that participate predominantly in the communications industry, referred to as the Selected Comparable Companies, in order to derive implied per share equity value reference ranges for Frontier and implied firm value reference ranges for Spinco based on the stock market trading multiples of the Selected Comparable Companies. With respect to Spinco, this analysis was

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conducted in order to provide a basis for certain of the other analyses performed by Evercore and Citi and described below under Relative Valuation Analyses. The Selected Comparable Companies were:

AT&T Inc.	Iowa Telecommunications Services, Inc.
CenturyTel, Inc	Qwest Communications International Inc.
Cincinnati Bell Inc.	Windstream Corporation
Consolidated Communications Holdings, Inc.	Verizon
Embarq Corporation	

With respect to Verizon as a Selected Comparable Company, Evercore and Citi examined Verizon both on a consolidated basis (including 100% of Verizon Wireless) and on the basis of the implied value of Verizon after subtracting from Verizon the value of Verizon Wireless utilizing an assumed 6x multiple of estimated 2009 earnings before interest, taxes, depreciation and amortization, referred to as EBITDA.

Evercore and Citi reviewed, among other things, firm values, calculated as equity value based on closing stock prices on May 8, 2009, plus debt, preferred stock and minority interests, less cash and cash equivalents and investments, as a multiple of the estimated EBITDA and EBITDA less capital expenditures of the Selected Comparable Companies for calendar years 2009 and 2010. When applicable, firm values were adjusted to exclude the net present value of future taxes shielded by net operating losses. Evercore and Citi also reviewed the equity values as a multiple of levered free cash flow (levered free cash flow being defined for this purpose as EBITDA less capital expenditures, interest expenses and taxes), referred to as LFCF, for the Selected Comparable Companies for calendar years 2009 and 2010. Financial forecasts for Frontier and Spinco were based on the Frontier Management Base Case, the Frontier Management Alternative Case and other information and projections for Spinco provided to Evercore and Citi by Frontier management. Evercore and Citi also used publicly available information concerning historical and projected financial performance, including published historical financial information and publicly available third-party research.

Evercore and Citi selected the companies listed above because their businesses and operating profiles are relevant to that of Frontier and the Spinco business. However, because of the inherent differences between the businesses, operations and prospects of Frontier and Spinco and the businesses, operations and prospects of the Selected Comparable Companies, no comparable company is exactly the same as Frontier or Spinco. Therefore, Evercore and Citi believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the comparable company analysis. Accordingly, Evercore and Citi also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of Frontier and Spinco and the Selected Comparable Companies that would affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, capital structure, growth prospects, profitability levels, degree of operational risk and recent and/or pending transactions between Frontier and Spinco and the Selected Comparable Companies.

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Selected Publicly Traded Companies Analysis of Frontier. Evercore and Citi then applied ranges of selected firm value to adjusted EBITDA (defined as EBITDA plus stock-based compensation, non-cash pension expenses and restructuring costs, and referred to as Adjusted EBITDA) multiples and selected equity value to LFCF multiples derived from the Selected Comparable Companies to corresponding financial data of Frontier based on the Frontier Management Base Case and the Frontier Management Alternative Case. The high and low of the relevant multiples derived for each of the Selected Comparable Companies is reflected in the column of the chart titled "All Selected Comparable Companies." Evercore and Citi selected from among such multiples the range of multiples reflected in the column of the chart below titled

"Selected Valuation Multiple Ranges for Frontier," which they judged, based on their financial advisory experience, to be most appropriate in order to perform their analysis of Frontier. This analysis indicated the following implied equity value per share valuation reference ranges for Frontier as presented below, which were compared to the low end of the collar (\$7.00 per share of Frontier common stock), the mid-point of the collar (\$7.75 per share of Frontier common stock) and the high end of the collar (\$8.50 per share of Frontier common stock):

Valuation Methodology	All Selected Comparable Companies		Selected Valuation Multiple Ranges for Frontier		Implied Equity Value per Share Valuation Reference Ranges for Frontier	
Firm Value as a Multiple of:						
2009 Estimated Adjusted EBITDA (Frontier Management Alternative Case)	3.9	6.7x	5.0	6.0x	\$ 4.83	\$8.74
2009 Estimated Adjusted EBITDA (Frontier Management Base Case)	3.9	6.7x	5.0	6.0x	\$ 3.95	\$7.68
2010 Estimated Adjusted EBITDA (Frontier Management Alternative Case)	4.0	6.7x	5.25	6.25x	\$ 5.79	\$9.70
2010 Estimated Adjusted EBITDA (Frontier Management Base Case)	4.0	6.7x	5.25	6.25x	\$ 3.86	\$7.40
2009 Estimated Adjusted EBITDA less Capital Expenditures (Frontier Management Alternative Case)	5.7	25.8x	7.0	8.0x	\$ 6.83	\$9.91
2009 Estimated Adjusted EBITDA less Capital Expenditures (Frontier Management Base Case)	5.7	25.8x	7.0	8.0x	\$ 5.60	\$8.50
2010 Estimated Adjusted EBITDA less Capital Expenditures (Frontier Management Alternative Case)	6.6	27.3x	7.5	8.5x	\$ 8.47	\$11.55
2010 Estimated Adjusted EBITDA less Capital Expenditures (Frontier Management Base Case)	6.6	27.3x	7.5	8.5x	\$ 5.83	\$8.57
Equity Value as a Multiple of:						
2009 Estimated LFCF (Frontier Management Alternative Case)	3.9	10.8x	5.0	6.0x	\$ 7.66	\$9.18
2009 Estimated LFCF (Frontier Management Base Case)	3.9	10.8x	5.0	6.0x	\$ 7.95	\$9.54
2010 Estimated LFCF (Frontier Management Alternative Case)	4.6	9.6x	5.5	6.5x	\$ 8.26	\$9.76
2010 Estimated LFCF (Frontier Management Base Case)	4.6	9.6x	5.5	6.5x	\$ 7.47	\$8.82

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Selected Publicly Traded Companies Analysis of Spinco. In order to provide a basis for certain of the other analyses performed by Evercore and Citi and described below under Relative Valuation Analyses, Evercore and Citi then applied ranges of selected firm value to Adjusted EBITDA multiples derived from the Selected Comparable Companies to corresponding financial data of Spinco based on information and projections prepared by Frontier management and provided to Evercore and Citi. No equity value to LFCF comparisons of Spinco were conducted by Evercore and Citi because Spinco was not capitalized as an independent public company as of the date of this analysis. Evercore and Citi selected from among the multiples derived for each of the Selected Comparable Companies (the high and low of such multiples being reflected in the column of the chart below titled All Selected Comparable Companies) the range of multiples reflected in the column of the chart below titled Selected Valuation Multiple Ranges for Spinco that they judged, based on their financial advisory experience, to be most appropriate in order to perform their analysis of Spinco. This analysis indicated the following implied firm value reference ranges for Spinco:

Valuation Methodology	All Selected Comparable Companies		Selected Valuation Multiple Ranges for Spinco		Implied Firm Value Valuation Reference Ranges for Spinco (\$ in millions)	
Firm Value as a Multiple of:						
2009 Estimated Adjusted EBITDA	3.9	6.7x	4.5	5.5x	\$8,233	\$10,063
2010 Estimated Adjusted EBITDA	4.0	6.7x	4.75	5.75x	\$8,085	\$9,787
2009 Estimated Adjusted EBITDA less Capital Expenditures	5.7	25.8x	6.0	7.0x	\$8,536	\$9,959
2010 Estimated Adjusted EBITDA less Capital Expenditures	6.6	27.3x	6.5	7.5x	\$8,491	\$9,797

None of the Selected Comparable Companies utilized as a comparison is identical to Frontier or Spinco. Accordingly, Evercore and Citi believe the analysis of publicly traded comparable companies is not simply mathematical. Rather, it involves complex considerations and qualitative judgments, reflected in Evercore's and Citi's opinions, concerning differences in financial and operating characteristics and other factors that could affect the public trading value of the Selected Comparable Companies to which Frontier and Spinco are compared.

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Analysis of Selected Precedent Transactions. Evercore and Citi reviewed the financial terms, to the extent publicly available, of twelve merger and acquisition transactions announced between November 2001 and May 2009 of companies that Evercore and Citi, based on their experience with merger and acquisition transactions, deemed relevant to arriving at their opinions. Evercore and Citi chose the transactions, referred to as the Selected Precedent Transactions, based on the similarity of the target companies in the transactions to Spinco in terms of the size, mix, margins and other characteristics of their businesses. The Selected Precedent Transactions were:

Acquirer	Target	Date Transaction Announced
Windstream Corp.	D&E Communications, Inc.	May 2009
CenturyTel, Inc.	Embarq Corporation	October 2008
Consolidated Communications Holdings, Inc.	North Pittsburgh Systems, Inc.	July 2007
Windstream Corp.	CT Communications, Inc.	May 2007
FairPoint Communications, Inc.	Verizon and Northern New England Spinco Inc.	January 2007
CenturyTel, Inc.	Madison River Communications Corp.	December 2006
Citizens Communications Company	Commonwealth Telephone Enterprises Inc.	September 2006
Alltel Corporation	Valor Communications Group Inc.	December 2005
Quadrangle Capital Partners LP	nTelos, Inc.	January 2005
The Carlyle Group	Verizon Hawaii	May 2004
Consolidated Communications, Inc.	TXU Communications	January 2004
D&E Communications, Inc.	Conestoga Enterprises, Inc.	November 2001

For each of the Selected Precedent Transactions, Evercore and Citi calculated certain financial multiples for the target company derived from certain publicly available information for the target company. Specifically, in performing this analysis, Evercore and Citi determined the multiples of firm value and adjusted to exclude an estimated value of the target company's non-incumbent local exchange carrier businesses to the forward twelve-months of incumbent local exchange carrier EBITDA, referred to as ILEC Forward EBITDA, for the Selected Precedent Transactions. When publicly available, the synergies expected from the transaction were included. The following table presents a summary of the results of this analysis and also sets forth the multiples implied by the merger:

	Firm Value as a Multiple of ILEC Forward EBITDA		
	Without Synergies	Without Synergies Less Capital Expenditures	With Synergies
Frontier/Spinco Merger	4.7x	6.0x	3.4x
Low	4.3x	5.9x	3.7x
High	10.9x	33.3x	7.2x
Mean	7.0x	11.6x	5.6x
Median	6.9x	9.7x	5.7x

Because the reasons for, and the circumstances surrounding, each of the Selected Precedent Transactions analyzed were so diverse, and because of the inherent differences between the operations and the financial condition of Frontier and Spinco and the companies involved in the Selected Precedent Transactions, Evercore

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and Citi believe that a comparable transaction analysis is not simply mathematical. Rather, it involves complex considerations and qualitative judgments, reflected in the opinions of Evercore and Citi, concerning differences between the characteristics of these transactions and the merger that could affect the value of the subject companies, Frontier and Spinco.

Discounted Cash Flow Analysis of Frontier. As part of their analyses, and in order to estimate the implied present value of the equity value per share for Frontier, Evercore and Citi prepared a four and three-quarter years discounted cash flow analysis for Frontier, calculated as of March 31, 2009, of after-tax unlevered free cash flows for fiscal years 2009 (nine months after March 31, 2009 only) through 2013, using both the Frontier Management Base Case and the Frontier Management Alternative Case.

A discounted cash flow analysis is a valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows to be generated by the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. Evercore and Citi performed a discounted cash flow analysis for Frontier by adding (1) the present value of Frontier's projected after-tax unlevered free cash flows for fiscal years 2009 (nine months after March 31, 2009 only) through 2013 to (2) the present value of the terminal value of Frontier as of the end of fiscal year 2013. Terminal value refers to the value at a particular point in time of all future cash flows to be generated by an asset.

Evercore and Citi estimated a range of terminal values as of the end of fiscal year 2013 calculated based on selected perpetuity growth rates of 1.0% to 1.0%. Evercore and Citi discounted the after-tax unlevered free cash flow streams and the estimated terminal values to a present value at a range of discount rates from 8.5% to 9.5%. The discount rates utilized in this analysis were chosen by Evercore and Citi based on their expertise and experience with the incumbent local exchange carrier industry and also on an analysis of the weighted average cost of capital, which is a commonly used method for purposes of calculating discount rates in financial analyses, of Frontier and other comparable companies. Evercore and Citi calculated per share equity values by first determining a range of firm values of Frontier by adding the present values of the after-tax unlevered free cash flows and terminal values for each perpetuity growth rate and discount rate scenario, and then subtracting from the firm values the net debt, calculated as total debt minus cash and investments, of Frontier, and then dividing those amounts by the number of fully diluted shares of Frontier. Based on financial estimates provided by Frontier management, this analysis indicated the following implied per share equity value reference ranges for Frontier:

Valuation Methodology	Implied per Share Equity Value Reference Ranges for Frontier	
Discounted Cash Flow Analysis (Frontier Management Alternative Case)	\$	4.53 - \$10.09
Discounted Cash Flow Analysis (Frontier Management Base Case)		\$3.29 - \$8.48

Discounted Cash Flow Analysis of Spinco. In order to provide a basis for certain of the other analyses performed by Evercore and Citi and described below under Relative Valuation Analyses, Evercore and Citi prepared a four and three-quarter years discounted cash flow analysis for Spinco, calculated as of March 31, 2009, of after-tax unlevered free cash flows for fiscal years 2009 (nine months after March 31, 2009 only) through 2013, using projections provided by Frontier management. Evercore and Citi performed a discounted cash flow analysis for Spinco by adding (1) the present value of Spinco's projected after-tax unlevered free cash flows for fiscal years 2009 (nine months after March 31, 2009 only) through 2013 to (2) the present value of the terminal value of Spinco as of the end of fiscal year 2013.

Evercore and Citi estimated a range of terminal values as of the end of fiscal year 2013 calculated based on selected perpetuity growth rates of 1.0% to 1.0%. Evercore and Citi discounted the after-tax unlevered free cash

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flow streams and the estimated terminal values to a present value at a range of discount rates from 8.5% to 9.5%. The discount rates utilized in this analysis were chosen by Evercore and Citi based on their expertise and experience with the incumbent local exchange carrier industry and also on an analysis of the weighted average cost of capital, which is a commonly used method for purposes of calculating discount rates in financial analyses, of Spinco and other comparable companies. Evercore and Citi calculated firm values of Spinco by adding the present values of the after-tax unlevered free cash flows and terminal values for each perpetuity growth rate and discount rate scenario. Based on financial estimates provided by Frontier management, this analysis indicated the following firm value reference ranges for Spinco:

Valuation Methodology	Firm Value Reference Ranges for Spinco (\$ in millions)
Discounted Cash Flow Analysis Without Synergies	\$8,361 - \$10,683
Discounted Cash Flow Analysis With Synergies	\$9,561 - \$13,953

Relative Valuation Analyses

Implied Percentage Ownership Analysis. Based on the implied valuations for each of Frontier and Spinco derived above under Analysis of Selected Publicly Traded Companies, Analysis of Selected Precedent Transactions, Discounted Cash Flow Analysis of Frontier and Discounted Cash Flow Analysis of Spinco, Evercore and Citi calculated an implied equity ownership range for Frontier in the combined company and compared it to the proposed equity ownership for Frontier in the combined company to result from the merger.

For each of the analyses (other than the Analysis of Selected Precedent Transactions) referred to above, Evercore and Citi calculated the low end of each Frontier implied equity ownership range assuming the lowest implied per share equity value for Frontier and the highest implied firm value for Spinco, less an assumed \$3.333 billion of Spinco debt through the special cash payment financing, the Spinco debt securities and the distribution date indebtedness, derived from each of the foregoing valuation analyses. Evercore and Citi then calculated the high end of each Frontier implied equity ownership range assuming the highest implied per share equity value for Frontier and the lowest implied firm value for Spinco, less an assumed \$3.333 billion of Spinco debt through the special cash payment financing, the Spinco debt securities and the distribution date indebtedness, derived from each of the foregoing valuation analyses.

For the Analysis of Selected Precedent Transactions, Evercore and Citi calculated the low end of the Frontier implied equity ownership range assuming the mid-point of the collar (\$7.75 per share of Frontier common stock) and the highest implied firm value for Spinco, less an assumed \$3.333 billion of Spinco debt through the special cash payment financing, the issuance of Spinco debt securities, if required, and the distribution date indebtedness, derived from the Analysis of Selected Precedent Transactions. Evercore and Citi then calculated the high end of the Frontier implied equity ownership range assuming the mid-point of the collar (\$7.75 per share of Frontier common stock) and the lowest implied firm value for Spinco, less an assumed \$3.333 billion of Spinco debt through the special cash payment financing, the Spinco debt securities and the distribution date indebtedness, derived from the Analysis of Selected Precedent Transactions.

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The proposed equity ownership percentage by current holders of shares of Frontier common stock in the combined company after giving effect to the merger (before accounting for the elimination of fractional shares and any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off), in accordance with the terms of the collar of 29% to 34%, was compared to Frontier's implied equity ownership utilizing the implied valuations from the Frontier Management Base Case and the Frontier Management Alternative Case projections, as set forth below:

Method (Utilizing Frontier Management

Base Case Projections)	Frontier Implied Equity Ownership Range
<i>Selected Publicly Traded Companies Analysis</i>	
2009 Adjusted EBITDA	15% - 33%
2010 Adjusted EBITDA	16% - 33%
2009 Adjusted EBITDA less Capital Expenditures	21% - 34%
2010 Adjusted EBITDA less Capital Expenditures	22% - 34%
<i>Selected Precedent Transactions Analysis</i>	26% - 35%
<i>Discounted Cash Flow Analysis</i>	
Spinco Without Synergies	12% - 35%
Spinco With Synergies	9% - 30%

Method (Utilizing Frontier Management

Alternative Case Projections)	Frontier Implied Equity Ownership Range
<i>Selected Publicly Traded Company Analysis</i>	
2009 Adjusted EBITDA	18% - 36%
2010 Adjusted EBITDA	22% - 39%
2009 Adjusted EBITDA less Capital Expenditures	24% - 37%
2010 Adjusted EBITDA less Capital Expenditures	29% - 41%
<i>Selected Precedent Transactions Analysis</i>	26% - 35%
<i>Discounted Cash Flow Analysis</i>	
Spinco Without Synergies	16% - 39%
Spinco With Synergies	12% - 34%

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Contribution Analysis. Evercore and Citi analyzed the respective contributions of Frontier and Spinco to the access lines, Adjusted EBITDA, LFCF, equity value (assuming the mid-point of the collar, i.e., a Frontier average price of \$7.75) and firm value of the combined company for actual fiscal year 2008 through estimated fiscal year 2013. For certain metrics, Evercore and Citi analyzed the contributions on both an unlevered basis and a levered basis, which assumed \$5.110 billion of debt, \$504 million of cash and \$3 million of investments at Frontier and \$3.333 billion of debt at Spinco. This analysis was based on the Frontier Management Base Case for Frontier's financial contributions and included the achievement of synergies identified by Frontier management, before taking into account non-recurring integration costs relating to the merger and excluded HSI and FiOS capital expenditures for Spinco's financial contributions. This analysis was compared to the proposed equity ownership in the combined company by current holders of shares of Frontier common stock after giving effect to the merger (before accounting for the elimination of fractional shares and any adjustments required as a result of any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spinco territory that are required to complete the merger or the spin-off), which was 29% to 34% based on the collar. The following table presents the results of this analysis:

	Implied Frontier Contribution	
	Unlevered	Levered
2008 Actual Access Lines	32%	5%
2009 Estimated Access Lines	33	8
2009 Estimated Adjusted EBITDA	39	19
2010 Estimated Adjusted EBITDA	39	20
2011 Estimated Adjusted EBITDA	37	16
2009 Estimated LFCF		36
2010 Estimated LFCF		34
2011 Estimated LFCF		32
2012 Estimated LFCF		28
2013 Estimated LFCF		26
Equity Value		32
Firm Value	45	

Combination Analysis

Pro Forma Cash Flow Analysis. In order to evaluate the estimated ongoing impact of the merger, Evercore and Citi analyzed certain pro forma financial effects of the merger. Based on its analysis, Evercore and Citi computed the resulting dilution/accretion based on Frontier management's base case estimated LFCF of the combined company for the fiscal years ending in 2011, 2012, 2013 and 2014 (excluding extraordinary HSI and FiOS capital expenditures) and assumed the achievement of synergies identified by Frontier management that Frontier and Spinco could achieve if the merger were consummated before taking into account non-recurring integration costs relating to the merger and also assumed a 8.5% weighted average cost of debt on the new financing required to be incurred by Spinco under the original merger agreement. Evercore and Citi noted that the merger would be dilutive to Frontier's estimated free cash flow for the fiscal year ending 2011 and would be accretive to Frontier's estimated free cash flow for each of the fiscal years ending 2012, 2013 and 2014.

Verizon's Reasons for the Spin-Off and the Merger

As part of Verizon's periodic review process, Verizon management reviews its portfolio of assets to evaluate its current structure and composition, to determine whether changes might be advisable, and to look for attractive ways to add value for its stockholders. Verizon also regularly receives expressions of interest in its access line properties. When those expressions are credible, Verizon investigates and evaluates the proposals to

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satisfy its fiduciary responsibility to stockholders. The decision to pursue the proposed transaction involving the transfer of the Spinco business to Frontier followed the receipt of an inquiry from Frontier that initially expressed an interest in acquiring substantially all of the Spinco business.

Verizon's board of directors consulted with its financial and legal advisors and considered a wide variety of factors in deciding whether to approve the spin-off and the merger with Frontier and certain related transactions. These factors included:

Verizon's belief that (i) its strategic position would be enhanced by the transactions because Verizon's current strategy is focused on creating value for its stockholders by bringing broadband service to its customers and (ii) the transactions would allow Verizon to focus on providing wireless voice and data products and services, and converged communications, information and entertainment services over its advanced fiber-optic network in the United States, as well as expansive end-to-end global Internet Protocol (IP) networks to business and government customers around the world.

Verizon's belief that the spin-off and the merger will enable the Spinco business to be operated by a company with an appropriate capital structure and dividend policy, while enhancing Verizon's financial flexibility, and that the assets of the Spinco business will be managed by an experienced management team exclusively focused on assets of such type.

Verizon's expectation that it will receive the special cash payment and, if required, Spinco debt securities, and that the distribution date indebtedness will become a part of the consolidated indebtedness of the combined company, which together would permit Verizon to reduce up to \$3.333 billion of the debt of Verizon or to pay dividends or repurchase Verizon common stock.

The potential value, as determined by evaluating pre- and post-transaction discounted cash flows and the valuation of comparable businesses, of the approximately 66% to 71% of the combined company that Verizon stockholders will collectively own after the spin-off and merger, before accounting for the elimination of fractional shares or any adjustments required as a result of any amounts related to governmental approvals paid, payable or forgone by Verizon as described above under Calculation of Merger Consideration.

The tax-efficient structure for Verizon stockholders of the spin-off and merger of Spinco with Frontier.

The availability of other transactions, including a spin-off of the operations in the Spinco territory to stockholders of Verizon without a subsequent merger.

The benefits that might accrue to Verizon stockholders as owners of Frontier common stock after the merger, including the fact that Frontier intends to pay an annual dividend of \$0.75 per share after the merger, recognizing that the payment of such dividend (including the amount and timing thereof) is subject to applicable law and agreements governing the combined company's indebtedness and within the sole discretion of the Frontier board, and the fact that Verizon stockholders, as owners of Frontier common stock, could benefit from synergies resulting from the integration of the assets of the Spinco business into Frontier's existing operations.

Verizon also considered the potential risks associated with the spin-off and merger, including that the anticipated benefits of the merger might not occur. See Risk Factors Risks Relating to the Spin-Off and the Merger.

Board of Directors and Management of the Combined Company

There are currently twelve directors serving on the Frontier board. The merger agreement provides that immediately prior to the effective time of the merger, the Frontier board (which will become the board of directors of the combined company) will consist of twelve directors, three of whom will be initially designated by Verizon and nine of whom will be initially designated by Frontier. Verizon's director designees may not be

employees of Verizon, its affiliates or Cellco or any of its subsidiaries, and must satisfy director independence

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requirements of the SEC and the NYSE. One of Frontier's designees will serve as the chairman of the board of directors of the combined company. Frontier expects that Mary Agnes Wilderotter, Frontier's current Chairman of the Board of Directors, President and Chief Executive Officer, will continue to serve in such roles with the combined company.

The merger agreement also provides that the officers of Frontier at the effective time of the merger will become the initial officers of the combined company following the merger. In addition, Frontier expects to supplement its current senior management team with members of Verizon's current regional management team who currently manage the Spinco business. See Management of the Combined Company.

Ownership of Frontier Following the Merger

Frontier anticipates that, assuming both no fractional shares and no adjustment is required for any amount related to governmental approvals paid, payable or forgone by Verizon as described above under Calculation of Merger Consideration, and depending on the trading prices of Frontier common stock prior to closing of the merger, Verizon stockholders will collectively own between approximately 66% and 71% of the combined company's outstanding equity immediately following the closing of the merger, and Frontier stockholders will collectively own between approximately 29% and 34% of the combined company's outstanding equity immediately following the closing of the merger. Based on existing ownership levels, Frontier does not expect that there will be any holders of more than 5% of the outstanding common stock of the combined company immediately following the closing of the merger.

Effects of the Merger and Spin-Off on Verizon Stock Options and Other Verizon Stock-Based Awards

The exercise price of and number of shares of Verizon common stock underlying options to purchase shares of Verizon common stock held by any current or former Verizon employee (including a Verizon employee who continues as an employee of the combined company following the spin-off and the merger) will be adjusted, in an amount yet to be determined, pursuant to the terms of the applicable Verizon equity incentive plans, taking into account any decrease in the value of Verizon common stock immediately following the spin-off and the merger. No adjustment will be made to the outstanding options if there is no decrease in the value of Verizon's common stock as a result of the spin-off and the merger. In order to avoid adverse tax treatment for option holders under the Code, the number of shares of Verizon common stock subject to the adjusted options will be rounded down to the nearest whole share, and the per share exercise price will be rounded up to the nearest whole cent.

Verizon restricted stock units, referred to as Verizon RSUs, awarded pursuant to Verizon equity incentive plans and held by any current or former Verizon employee (including a Verizon employee who continues as an employee of the combined company following the spin-off and the merger) at the time of the spin-off and the merger will continue to represent the right to receive the cash value equivalent of the hypothetical shares of Verizon common stock subject to the award. Each current or former Verizon employee who holds Verizon RSUs at the time of the spin-off will receive additional Verizon RSUs approximately equal to the cash value of the Frontier common stock that would be received with respect to each hypothetical share of Verizon common stock held by the current or former Verizon employee under the Verizon RSU program.

Verizon performance stock units, referred to as Verizon PSUs, awarded pursuant to Verizon equity incentive plans and held by any current or former Verizon employee (including a Verizon employee who continues as an employee of the combined company following the spin-off and the merger) at the time of the spin-off and the merger will continue to represent the right to receive the cash value equivalent of the hypothetical shares of Verizon common stock subject to the award. Each current or former Verizon employee who holds Verizon PSUs at the time of the spin-off will receive additional Verizon PSUs approximately equal to the cash value of the Frontier common stock that would be received with respect to each hypothetical share of Verizon common stock held by the current or former Verizon employee under the Verizon PSU program.

Table of Contents**Interests of Certain Persons in the Merger**

In considering the Frontier board's determination to approve the merger agreement and to recommend that Frontier stockholders vote for the merger proposals, Frontier stockholders should be aware of potential conflicts of interest of, and the benefits available to, certain Frontier officers. These officers may have interests in the merger that may be different from, or in addition to, the interests of Frontier stockholders as a result of, among other things, certain severance protection that applies to them following the merger.

Employment and Change in Control Agreements

Each of Mary Agnes Wilderotter, Donald R. Shassian, Daniel J. McCarthy, Peter B. Hayes, Cecilia K. McKenney, Hilary E. Glassman and Melinda White is subject to an agreement with Frontier under which she or he is entitled to certain severance payments and benefits in the event of termination without cause by Frontier or resignation by the executive on account of certain material changes in his or her employment relationship. Certain of these executives are entitled to severance payments and benefits only if any such termination or resignation occurs following a change in control (as defined in the agreements). Other executives are entitled to such severance payments and benefits if any such termination or resignation occurs whether or not a change in control has occurred but may resign for additional reasons and receive such severance payments and benefits following a change in control. See "Executive Compensation of Frontier Employment Arrangements; Potential Payments Upon Termination or Change-in-Control" for a description of the agreements with Mrs. Wilderotter, Mr. Shassian, Mr. McCarthy, Mr. Hayes and Ms. McKenney.

Frontier entered into a letter agreement with Hilary E. Glassman, dated July 8, 2005, and amended in December 2008. If Ms. Glassman's employment is terminated by Frontier without cause or by Ms. Glassman for good reason or within one year following a change in control as a result of certain material changes in her employment relationship (all as defined in the letter agreement), Ms. Glassman will be entitled to the sum of one times base salary and a prorated target bonus, an amount equal to one year's COBRA premiums for medical, dental and other health benefits coverage, life insurance coverage for one year and full vesting of her restricted shares.

Pursuant to a September 2007 arrangement, all of Melinda White's restricted shares will become fully vested if, within one year following a change in control, Ms. White's employment is terminated by Frontier without cause or she terminates her employment as a result of certain material changes in her employment relationship (all as defined in the arrangement).

The consummation of the merger will constitute a change in control for purposes of these agreements. If a change in control occurred as of September 1, 2009, and these executives were terminated or resigned as of that date under the circumstances covered by the agreements, the executives would have been entitled to base salary payment, bonus payments, accelerated vesting of restricted shares and benefits as follows:

Name	Base Salary	Bonus	Value of Accelerated Restricted Stock ⁽¹⁾	Benefits	Total
Mrs. Wilderotter	\$ 2,775,000	\$ 2,775,000	\$ 5,569,634	\$ 51,108 ⁽²⁾⁽³⁾	\$ 11,170,742
Mr. Shassian	\$ 900,000	\$ 900,000	\$ 1,410,021	0	\$ 3,210,021
Mr. McCarthy	0	0	\$ 811,307	0	\$ 811,307
Mr. Hayes	\$ 300,000	\$ 199,800	\$ 749,500	\$ 14,972 ⁽⁴⁾	\$ 1,264,272
Ms. McKenney	\$ 290,000	\$ 217,500	\$ 734,927	0	\$ 1,242,427
Ms. Glassman	\$ 308,700	\$ 154,196	\$ 634,592	\$ 6,187 ⁽²⁾	\$ 1,103,675
Ms. White	0	0	\$ 408,153	0	\$ 408,153

(1) Consists of the number of shares multiplied by the \$7.05 closing price per share on September 1, 2009.

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- (2) Consists of the applicable monthly COBRA premium for the type of medical, dental and vision coverage in effect for the executive on September 1, 2009 and the applicable monthly insurance premium for the life insurance coverage in effect for the executive on September 1, 2009, each multiplied by the applicable number of months (for Mrs. Wilderotter, 36; for Ms. Glassman, 12).
- (3) Although Mrs. Wilderotter is entitled to a tax gross-up payment in certain circumstances, no gross-up payment is estimated to be payable based on a termination on September 1, 2009 and the payments and benefits described above.
- (4) Consists of the applicable monthly COBRA premium for the type of medical coverage in effect for Mr. Hayes on September 1, 2009, multiplied by 12.

Executive Deferred Savings Plan

Under the Executive Deferred Savings Plan, upon a change in control (as defined in the plan) all matching contributions become fully vested and all vested account balances must be distributed to participating executives. The consummation of the merger will constitute a change in control under the plan, resulting in accelerated vesting of matching contributions and distribution of the vested account balance of one officer.

Regulatory Approvals

Telecommunications Regulatory Approvals

Frontier and Verizon currently expect that the transactions contemplated by the merger agreement will require approval of the state regulatory agencies of the following states in their capacities as regulators of incumbent local exchange and intrastate toll carrier operations of Verizon or Frontier: Arizona, California, Illinois, Nevada, Ohio, Oregon, South Carolina, Washington and West Virginia. State regulatory agencies in other states, however, may require that Frontier, Verizon or both obtain approval or authorization for the transactions in those states as well. At the request of third parties, certain state regulatory agencies are considering whether approval of the transactions is required. Also, the regulatory agency in Pennsylvania must approve the transfer of Verizon's incumbent local exchange operations in that state, which Verizon will retain, to a newly created Verizon operating company. Although the scope of matters that must be approved varies by state, the foregoing approvals are generally required for the transfer of Verizon's local exchange and intrastate toll businesses in the Spinco territory to companies to be controlled by Frontier (including the Spinco subsidiaries after the merger), which will be deemed to occur upon completion of the merger and the other transactions described elsewhere in this proxy statement/prospectus.

On May 29, 2009, Frontier and Verizon completed the filing of regulatory applications in Arizona, Ohio, Oregon, Pennsylvania, South Carolina, Washington and West Virginia.

On or prior to June 4, 2009, Frontier and Verizon completed the filing of regulatory applications in California, Illinois and Nevada.

On June 1, 2009, Frontier and Verizon applied to 41 local franchising authorities in Oregon and Washington for consent and approval to transfer control of the Verizon franchises to provide video services in those states to Frontier. There can be no assurance that these consents and approvals will be obtained. Eight authorities have already granted approval to transfer control of Verizon's franchise to Frontier. In addition, prior to closing, Verizon will provide notice to Indiana of the transfer of control of its statewide franchise to Frontier.

Frontier and Verizon believe that the transactions will produce benefits for the states in which the combined company will conduct its operations, the residents of those states, and the customers of the communications businesses of the combined company. While the parties believe that the transactions satisfy the applicable regulatory standards for the foregoing approvals, there can be no assurance that the state regulatory agencies will grant the approvals or will not attempt to impose conditions on the approvals.

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In addition, under the Communications Act of 1934, as amended, referred to as the Communications Act, the FCC must approve the transfer or assignment of FCC licenses and authorizations. Verizon and Frontier filed applications for consent to transfer the affected licenses and authorizations, and related amendments, on May 28 and May 29, 2009, June 8, 2009 and July 30, 2009.

Each party's obligations to complete the merger are subject to receipt of the consents of, or receipt of an exemption from, the state regulatory agencies referred to above and the FCC, in each case, without the imposition of conditions that would reasonably be expected to be materially adverse to Frontier, to Spinco or to Verizon (assuming for this purpose that the business, assets, properties and liabilities of each of (1) Verizon and all Verizon subsidiaries and (2) Frontier and all Frontier subsidiaries are comparable in size to those of Spinco and all Spinco subsidiaries). The merger agreement provides that each party to the merger agreement, subject to customary limitations, will use all commercially reasonable efforts to promptly take all actions and to assist and cooperate with the other parties in doing all things necessary, proper or advisable under applicable laws and regulations to consummate the merger and the transactions contemplated by the merger agreement. Frontier and Verizon have also agreed to use all commercially reasonable efforts to resolve any objections or challenges from a regulatory authority, except that the parties are not obligated to appeal any final order by the FCC or any state regulatory agency.

Antitrust Approvals

Under the Hart-Scott-Rodino Act and the rules promulgated under that act by the Federal Trade Commission, the merger may not be completed until notifications have been given and information furnished to the Federal Trade Commission and to the Antitrust Division of the Department of Justice and the specified waiting period has been terminated or has expired. The parties filed their Hart-Scott-Rodino Act application on August 21, 2009. On September 1, 2009, the Federal Trade Commission granted the parties' request for early termination of the waiting period under the Hart-Scott-Rodino Act. At any time before or after completion of the merger, the Federal Trade Commission or the Antitrust Division of the Department of Justice could take any action under the antitrust laws that it deems necessary or desirable in the public interest, including seeking to enjoin completion of the spin-off and the merger or seeking divestiture of substantial assets of Frontier or Spinco. The spin-off and the merger are also subject to review under state antitrust laws and could be the subject of challenges by private parties under the antitrust laws.

Accounting Treatment

The merger will be accounted for by applying the acquisition method, which requires the determination of the acquirer, the acquisition date, the fair value of assets and liabilities of the acquiree and the measurement of goodwill. Statement of Financial Accounting Standards No. 141(R) (revised 2007), *Business Combinations*, referred to as SFAS 141(R), provides that in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including: the constituent company issuing its equity interest in the business combination, the relative voting rights of the stockholders of the constituent companies in the combined entity, the composition of the board of directors and senior management of the combined company, the relative size of each company and the terms of the exchange of equity securities in the business combination, including payment of any premium.

Based on Frontier being the entity issuing its equity interests in the merger, the Frontier-designated directors representing nine out of twelve directors on the board of the combined company and the Frontier senior management team being the senior management team of the combined company, Frontier has concluded that it is appropriate to treat Frontier as the acquirer of Spinco for accounting purposes. This means that Frontier will allocate the transaction consideration to the fair value of Spinco's assets and liabilities at the acquisition date, with any excess of the transaction consideration over fair value being recorded as goodwill.

No Appraisal Rights

None of the stockholders of Frontier or Verizon will be entitled to appraisal rights or to demand payment for their shares in connection with the spin-off or the merger.

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Listing

After the merger, shares of common stock of Frontier, as the combined company, will continue to trade on the NYSE under the symbol FTR.

Dividend Policy of Frontier and the Combined Company

The amount and timing of dividends payable on Frontier common stock are within the sole discretion of the Frontier board. Frontier currently pays an annual cash dividend of \$1.00 per share of Frontier common stock. After the closing of the merger, Frontier intends to pay an annual cash dividend of \$0.75 per share of common stock of the combined company, subject to applicable law and agreements governing the combined company's indebtedness and at the discretion of the Frontier board. Frontier expects that the dividend policy after the closing of the merger will allow Frontier to invest in the existing Frontier and Spinco markets, offer new products and services and extend and increase broadband capability to the existing Frontier and Spinco markets.

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE SPIN-OFF AND THE MERGER

The following summarizes the material United States federal income tax consequences of the spin-off and the merger. This summary is based on the Code, the Treasury regulations promulgated under the Code, and interpretations of the Code and the Treasury regulations by the courts and the IRS, all as they exist as of the date hereof and all of which are subject to change, possibly with retroactive effect. This is not a complete summary of all of the tax consequences of the spin-off and the merger. In particular, it may not address United States federal income tax considerations applicable to Frontier or Verizon stockholders subject to special treatment under United States federal income tax law, such as financial institutions, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, partnerships and other pass-through entities, stockholders who hold their shares as part of a hedge, straddle, conversion or constructive sale transaction, stockholders who are subject to the alternative minimum tax and stockholders who acquired their shares upon the exercise of employee stock options or otherwise as compensation. In addition, this summary is limited to stockholders that hold their Frontier or Verizon common stock as a capital asset. Finally, this summary does not address any estate, gift or other non-income tax consequences or any state, local or foreign tax consequences.

This summary is limited to stockholders of Frontier or Verizon that are United States holders. A United States holder is a beneficial owner of Frontier or Verizon stock, other than an entity or arrangement treated as a partnership for United States federal income tax purposes, that is, for United States federal income tax purposes:

an individual who is a citizen or a resident of the United States;

a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate, the income of which is subject to United States federal income taxation regardless of its source; or

a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions, or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury regulations.

Verizon and Frontier stockholders are urged to consult their own tax advisors regarding the tax consequences of the spin-off and the merger to them, including the effects of United States federal, state, local, foreign and other tax laws.

The Spin-Off

The spin-off and merger are conditioned upon Verizon's receipt of the IRS ruling. Although a private letter ruling from the IRS generally is binding on the IRS, the ruling will not rule that the spin-off satisfies every requirement for a tax-free spin-off, and the parties will rely solely on the opinion of counsel described below for comfort that such additional requirements are satisfied.

The spin-off and merger are also conditioned upon Verizon's receipt of an opinion of Debevoise, counsel to Verizon, to the effect that the spin-off and certain related transactions will qualify as tax-free to Verizon, Spinco and the stockholders of Verizon, referred to as the opinion of Verizon's counsel. The opinion of Verizon's counsel will rely on the IRS ruling as to matters covered by it.

Both the IRS ruling and the opinion of Verizon's counsel will be based on, among other things, certain representations and assumptions as to factual matters made by Verizon, Spinco and Frontier, including assumptions concerning Section 355(e) of the Code as discussed below. The failure of any factual representation

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or assumption to be true, correct and complete in all material respects could adversely affect the validity of the ruling or opinion. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the IRS ruling and the opinion of Verizon's counsel will be based on current law, and cannot be relied on if current law changes with retroactive effect.

The IRS ruling and the opinion of Verizon's counsel are expected to conclude that:

(1) the contribution by Verizon to Spinco of assets of the Spinco business and related liabilities, in exchange for additional shares of Spinco common stock, receipt by Verizon of the special cash payment and, in certain circumstances, the Spinco debt securities, followed by the distribution of the Spinco common stock in the spin-off, will qualify as a reorganization within the meaning of Section 368(a)(1)(D) of the Code, and Verizon and Spinco will each be a party to a reorganization within the meaning of Section 368(b) of the Code;

(2) no gain or loss will be recognized by Verizon on the contribution or the spin-off under Section 361 of the Code provided that the cash received by Verizon does not exceed the amount of Verizon's tax basis in the assets contributed to Spinco (less liabilities assumed);

(3) Verizon will not recognize any income, gain, loss or deduction with respect to the Spinco debt securities, except in certain enumerated cases;

(4) no gain or loss will be recognized by stockholders of Verizon on the receipt of the Spinco common stock in the spin-off under Section 355(a)(1) of the Code;

(5) each Verizon stockholder's holding period in the Spinco common stock received in the spin-off will include the holding period of the Verizon common stock with respect to which the distribution of the Spinco common stock is made; and

(6) each Verizon stockholder's basis in a share of Verizon common stock will be allocated between the share of Verizon common stock with respect to which the distribution of the Spinco common stock is made and the share of Spinco common stock (or allocable portions thereof) received with respect to such share of Verizon common stock in proportion to their fair market values.

The IRS ruling and the opinion of Verizon's counsel are also expected to conclude that certain internal contributions and distributions in connection with the spin-off will be tax-free to Verizon.

If the spin-off does not qualify as a tax-free spin-off under Section 355 of the Code, each Verizon stockholder who receives Spinco common stock would be treated as receiving a taxable dividend in an amount equal to the fair market value of the Spinco stock received, to the extent of such stockholder's ratable share of Verizon's earnings and profits.

In addition, if the spin-off does not qualify under Section 355 of the Code, Verizon would have taxable gain equal to the excess of the value of the assets transferred to Spinco plus liabilities assumed by Spinco over Verizon's tax basis for those assets. Even if the spin-off otherwise qualifies as a tax-free spin-off under Section 355 of the Code, the spin-off will be taxable to Verizon pursuant to Section 355(e) of the Code if there is a 50% or more change in ownership of either Verizon or Spinco, directly or indirectly, as part of a plan or series of related transactions that include the spin-off. Because Verizon stockholders will collectively own more than 50% of the Frontier common stock following the merger, the merger alone will not cause the spin-off to be taxable to Verizon under Section 355(e). However, Section 355(e) might apply if other acquisitions of stock of Verizon before or after the merger, or of Frontier after the merger, are considered to be part of a plan or series of related transactions that include the spin-off. In connection with the request for the IRS ruling and the opinion of Verizon's counsel, Verizon will represent that the spin-off is not part of any such plan or series of related transactions. If Section 355(e) of the Code applied, Verizon might recognize a very substantial amount of taxable gain.

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Under the tax sharing agreement, in certain circumstances, and subject to certain limitations, Frontier is required to indemnify Verizon for taxes on the spin-off that arise as a result of actions or failures to act by Frontier, or as a result of changes in ownership of the stock of Frontier after the distribution and merger. See The Transaction Agreements Additional Agreements Between Frontier, Verizon and Their Affiliates Tax Sharing Agreement. In some cases however, Verizon might recognize gain on the spin-off without being entitled to an indemnification payment under the tax sharing agreement. Even if Section 355(e) of the Code causes the spin-off to be taxable to Verizon, the spin-off will nevertheless remain tax-free to Verizon stockholders.

United States Treasury regulations require each Verizon stockholder that owns at least 5% of the total outstanding stock of Verizon and receives stock in the spin-off to attach to its United States federal income tax return for the year in which the spin-off occurs a detailed statement containing certain information relating to the tax-free nature of the spin-off. Upon request, Verizon will provide stockholders of 5% or more of its outstanding stock who received Frontier common stock in the merger with any pertinent information that is in Verizon's possession and is reasonably available, to the extent necessary to comply with that requirement.

The Merger

The obligations of Verizon and Frontier to consummate the merger are conditioned, respectively, on Verizon's receipt of the opinion of Debevoise, counsel to Verizon, and Frontier's receipt of an opinion of Cravath, counsel to Frontier, to the effect that the merger will qualify as a tax-free reorganization under Section 368(a) of the Code, and that no gain or loss will be recognized on the merger by Spinco or by Spinco stockholders (except for cash in lieu of fractional shares), referred to as the opinion of Frontier's counsel. These opinions will be based on, among other things, certain representations and assumptions as to factual matters made by Verizon, Spinco and Frontier. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the opinions. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the opinions will be based on current law, and cannot be relied on if current law changes with retroactive effect. A private letter ruling from the Internal Revenue Service regarding the qualification of the merger as a reorganization will also be requested, but the receipt of the private letter ruling is not a condition to the obligations of the parties to the merger.

The IRS ruling and the tax opinions are expected to conclude that:

the merger will qualify as a reorganization under Section 368(a)(1)(A) of the Code and Spinco and Frontier will each be a party to a reorganization within the meaning of Section 368(b) of the Code,

no gain or loss will be recognized by, and no amount will be included in the income of, Spinco on the transfer of its assets to Frontier and Frontier's assumption of Spinco liabilities;

no gain or loss will be recognized by, and no amount will be included in the income of, Spinco stockholders upon the receipt of Frontier common stock in the merger, except with respect to cash received in lieu of a fractional share of Frontier common stock;

the tax basis of Frontier common stock received in the merger, including any fractional share of Frontier common stock deemed received, will be the same as the tax basis in the shares of Spinco common stock deemed exchanged therefor;

the holding period of Frontier common stock received by a Spinco stockholder in the merger will include the holding period of the Spinco common stock deemed exchanged therefor; and

gain or loss will be recognized by Spinco stockholders on any cash received in lieu of a fractional share of Frontier common stock equal to the difference between the amount of cash received and the tax basis of such fractional share.

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If the merger was taxable, Spinco stockholders would recognize taxable gain or loss on their receipt of Frontier stock in the merger, and Spinco would be considered to have made a taxable sale of its assets to Frontier.

Non-corporate holders of Verizon common stock may be subject to information reporting and backup withholding tax on any cash payments received in lieu of a fractional share of Frontier common stock. Any such holder will not be subject to backup withholding tax, however, if the holder furnishes or has previously furnished a Form W-9 or substitute Form W-9 or successor form stating a correct taxpayer identification number and certifying that the holder is not subject to backup withholding tax. Any amounts withheld under the backup withholding tax rules will be allowed as a refund or credit against a holder's United States federal income tax liability provided that the holder furnishes the required information to the IRS.

Verizon stockholders who own at least 1% of the total outstanding stock of Spinco immediately after the spin-off but prior to the merger and receive Frontier common stock as a result of the merger will be required to retain records pertaining to the merger and will be required to file with their United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

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THE TRANSACTION AGREEMENTS

The Merger Agreement

The following is a summary of selected material provisions of the merger agreement. This summary is qualified in its entirety by reference to the Agreement and Plan of Merger, dated as of May 13, 2009, and Amendment No. 1 thereto, dated as of July 24, 2009. The composite form of the merger agreement, reflecting Amendment No. 1 thereto, is incorporated by reference in its entirety and attached to this proxy statement/prospectus as Annex A-1. Stockholders of Frontier and Verizon are urged to read the merger agreement in its entirety. The merger agreement has been included to provide Frontier stockholders and Verizon stockholders with information regarding its terms. The merger agreement is not intended to provide any other factual information about Verizon, Spincor, Frontier or the combined company following completion of the merger. Information about Verizon, Spincor, Frontier and the combined company can be found elsewhere in this proxy statement/prospectus.

The merger agreement contains representations and warranties that Verizon, Spincor and Frontier made to each other. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and have been qualified by certain information that has been disclosed to the other parties to the merger agreement and that is not reflected in the merger agreement. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, Frontier and Verizon stockholders should not rely on the representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in the companies' public disclosures. Frontier does not believe that securities laws require Frontier to disclose publicly any information related to the merger agreement other than information that has already been so disclosed.

The Merger

Under the merger agreement and in accordance with Delaware law, Spincor will merge with and into Frontier. As a result of the merger, the separate corporate existence of Spincor will terminate and Frontier will continue as the combined company. Frontier's restated certificate of incorporation and by-laws as in effect immediately prior to the merger will be the certificate of incorporation and by-laws of the combined company.

Effective Time

The merger will become effective at the time of filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as Verizon, Spincor and Frontier may agree. The closing of the merger will take place no later than 2:00 p.m., prevailing Eastern time, on the last business day of the month in which, on such last business day, the conditions precedent to the merger are satisfied or waived, but in any event not earlier than the last business day of April 2010, unless otherwise agreed upon by the parties.

Merger Consideration

The merger agreement provides that all of the issued and outstanding shares of common stock of Spincor will be automatically converted into an aggregate number of shares of common stock of Frontier equal to (i) \$5,247,000,000 divided by (ii) the Frontier average price. However, the merger agreement provides that if the Frontier average price exceeds \$8.50, then the Frontier average price for purposes of the merger agreement will be \$8.50, and if the Frontier average price is less than \$7.00, then the Frontier average price for purposes of the merger agreement will be \$7.00. Additionally, the amount referred to in clause (i) is subject to increase by any amounts paid, payable or forgone by Verizon pursuant to orders or settlements that are issued or entered into in order to obtain governmental approvals in the Spincor territory that are required to complete the merger or the spin-off, which increase will result in a corresponding increase in the number of shares of Frontier common stock being issued pursuant to the merger agreement.

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Distribution of Per Share Merger Consideration

Prior to or at the effective time of the merger, Frontier will deposit with a third-party distribution agent certificates or book-entry authorizations representing the shares of Frontier common stock for the benefit of the Verizon stockholders entitled to receive shares of Spinco common stock in the distribution. Each Verizon stockholder will be entitled to receive the number of whole shares of Frontier common stock (in lieu of the shares of Spinco common stock otherwise distributable to that stockholder) that the stockholder has the right to receive pursuant to the merger agreement. Shortly following the merger, the distribution agent will distribute these shares of Frontier common stock to those persons.

Treatment of Fractional Shares

The distribution agent will not deliver any fractional shares of Frontier common stock to Verizon stockholders pursuant to the merger agreement. Instead, promptly following the merger, the distribution agent will aggregate all fractional shares of Frontier common stock and sell them on behalf of those Verizon stockholders who otherwise would be entitled to receive a fractional share. It is anticipated that these sales will occur as soon as practicable following the merger. Those Verizon stockholders will then receive a cash payment in an amount equal to their pro rata share of the total net proceeds of those sales. If a Verizon stockholder physically holds Verizon stock certificates or holds its stock in book-entry form, that stockholder's check for any cash that it may be entitled to receive instead of fractional shares of Frontier common stock will be mailed to the stockholder separately.

Under the merger agreement, all shares held by a holder of record will be aggregated for purposes of determining fractional shares. Any Spinco shares held in street name will be aggregated with all other shares held by the holder of record for purposes of determining fractional shares. It is anticipated that some shares of Frontier common stock held in street name will be sold post-merger by brokers or other nominees according to their standard procedures to avoid allocating fractional shares to customer accounts, and that brokers or other nominees may request the distribution agent to sell these shares of Frontier common stock on their behalf. Any such sale would not occur pursuant to the merger agreement. Verizon stockholders should contact their brokers or other nominees for additional details.

None of Verizon, Spinco or Frontier or the distribution agent will guarantee any minimum sale price for the fractional shares of Frontier common stock. None of Frontier, Spinco or Verizon will pay any interest on the proceeds from the sale of fractional shares of Frontier common stock. The distribution of the cash proceeds from the sale of aggregated fractional shares of Frontier common stock is expected to be made net of commissions and other fees required to be paid by the distribution agent in connection with the sale of those shares. The receipt of cash in lieu of fractional shares of Frontier common stock will generally be taxable to the recipient stockholders. See Material United States Federal Income Tax Consequences of the Spin-Off and the Merger.

Officers and Directors of the Combined Frontier

The parties to the merger agreement have agreed that the officers and directors of Frontier at the effective time of the merger will continue to be the officers and directors of the combined company following the merger. The merger agreement also provides that the parties will take all action necessary to cause the Frontier board immediately prior to the effective time of the merger to consist of twelve members, three of whom will be initially designated by Verizon and nine of whom will be initially designated by Frontier. Verizon's director nominees may not be employees of Verizon, its affiliates or Cellco or any of its subsidiaries, and all such nominees will satisfy the requirements for director independence under the rules and regulations of the SEC and the NYSE. The officers of Frontier immediately prior to the merger will continue as the officers of the combined company immediately following the merger.

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Stockholders Meeting

Under the terms of the merger agreement, Frontier has agreed to call a special meeting of its stockholders for the purpose of voting upon the adoption of the merger agreement, the amendment of Frontier's certificate of incorporation to increase the number of authorized shares of Frontier common stock and the issuance of Frontier common stock pursuant to the merger agreement. Frontier will satisfy this merger agreement requirement by asking its stockholders to vote on these matters at the special meeting. Frontier has also agreed to deliver this proxy statement/prospectus to its stockholders in accordance with applicable law and its organizational documents.

In addition, subject to certain exceptions as described in this proxy statement/prospectus, the Frontier board is obligated to recommend that Frontier's stockholders vote for the merger proposals. Even if the Frontier board changes its recommendation, Frontier is required to submit the merger proposals to a stockholder vote. See "No Solicitation."

Representations and Warranties

The merger agreement contains representations and warranties between Verizon and Spinco, on the one hand, and Frontier, on the other. These representations and warranties, which are substantially reciprocal, relate to, among other things:

due organization, good standing and qualification;

capital structure;

authority to enter into the merger agreement (and the other agreements executed in connection therewith) and no conflicts with or violations of governance documents, other obligations or laws;

financial statements and absence of undisclosed liabilities;

absence of certain changes or events;

absence of material investigations or litigation;

compliance with applicable laws;

accuracy of information supplied for use in this proxy statement/prospectus, the registration statements/information statements and other governmental filings;

environmental matters;

tax matters;

employee benefit matters and compliance with ERISA;

labor matters;

intellectual property matters;

communications regulatory matters;

material contracts;

approval by the board of directors;

interests in real properties;

possession of required licenses and regulatory approvals;

payment of fees to finders or brokers in connection with the merger (representation given by Verizon and Frontier, not Spinco); and

affiliate transactions.

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Frontier has also made representations and warranties to Verizon and Spinco relating to filings with the SEC, the opinions of Frontier's financial advisors, the inapplicability to the merger of state anti-takeover laws and Frontier's rights plan and the required vote of Frontier stockholders to approve the merger proposals.

Verizon and Spinco also made representations and warranties to Frontier relating to the sufficiency of assets to be contributed to Spinco and the absence of ownership by Verizon or Spinco of any shares of Frontier capital stock.

Many of the representations and warranties contained in the merger agreement are subject to materiality qualifications, knowledge qualifications, or both, and none of the representations and warranties survive the effective time of the merger. The merger agreement does not contain any post-closing indemnification obligations with respect to these matters.

Conduct of Business Pending Closing

Each of the parties has undertaken to perform certain covenants in the merger agreement and agreed to restrictions on its activities until the effective time of the merger. In general, each of Spinco, each of the subsidiaries of Verizon contributing assets to Spinco and Frontier is required to conduct its business in the ordinary course (other than as required to consummate the transactions), to use all reasonable efforts to preserve its present business organization, to keep available the services of its current officers and other key employees and preserve its relationships with customers and vendors with the intention that its goodwill and ongoing businesses will not be materially impaired. In addition, each of Verizon (with respect to the Spinco business only), Spinco and Frontier has agreed to specific restrictions applicable prior to the effective time of the merger relating to the following:

issuing, delivering, or selling any shares of its capital stock or any securities convertible into or exercisable for, or any right to acquire, capital stock, other than (a) the issuance of shares by Frontier in connection with the exercise of certain stock options or the vesting of certain restricted stock units or restricted stock, (b) issuances of capital stock by any wholly owned subsidiary of Spinco, on the one hand, or Frontier, on the other hand, to their respective parents or to another of their respective wholly owned subsidiaries, (c) grants by Frontier of certain options, restricted stock units or restricted stock in the ordinary course of business, consistent with past practice, (d) issuances by Frontier pursuant to its rights plan and (e) issuances by Spinco or its subsidiaries pursuant to the merger agreement, the distribution agreement or the contribution;

amending certificates of incorporations or by-laws, subject to certain exceptions;

making acquisitions of a substantial equity interest or assets of another entity;

selling, leasing, licensing, disposing of or otherwise encumbering assets (including the capital stock of certain subsidiaries, but excluding surplus real estate, inventory or obsolete equipment in the ordinary course of business consistent with past practice) other than, with respect to Frontier, any liens to be created in connection with certain of its financing arrangements;

except in the ordinary course, consistent with past practice, making capital expenditures that are not included in such party's capital expenditures budget and that are in excess of \$10 million in the aggregate, subject to certain exceptions;

incurring debt, other than (a) in connection with customer contracts or equipment leasing in the ordinary course of business consistent with past practice, (b) with respect to Spinco, as contemplated by the special cash payment financing and the Spinco debt securities, (c) with respect to Frontier, refinancings of indebtedness completed prior to March 1, 2010 that are unsecured and do not conflict with the terms of the special cash payment financing or the Spinco debt securities or (d) with respect to Frontier, incurrence of indebtedness under its revolving credit facility;

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effecting the complete or partial liquidation or dissolution of Spinco or Frontier or any of their respective subsidiaries;

compensation and benefit matters with respect to directors, officers and employees;

in the case of Spinco, subject to certain exceptions, establishing, adopting, entering into, terminating or amending any collective bargaining agreement or other arrangement for the benefit of directors, officers or employees, except as contemplated by the employee matters agreement (see The Transaction Agreements Additional Agreements Between Frontier, Verizon and Their Affiliates The Employee Matters Agreement);

making any material change in its accounting methods, other than in accordance with accounting principles generally accepted in the United States, referred to as U.S. GAAP, or as required by Verizon's or Frontier's respective auditors;

making or rescinding any material tax elections or settling or compromising any material income tax claims, amending any material tax returns and materially changing any method of reporting income or deductions;

paying, discharging or satisfying any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than in the ordinary course of business consistent with past practice and subject to certain other exceptions;

entering into or amending agreements or arrangements with certain affiliated parties on non-arm's-length terms; and

modifying, amending or terminating any material contract or waiving, releasing or assigning any material rights or claims, except in the ordinary course of business, consistent with past practice.

In addition, Spinco agreed not to amend the distribution agreement without Frontier's consent.

Verizon has also agreed to cause Spinco to adhere to the covenants listed above.

Frontier agreed to additional restrictions relating to the following:

declaring or paying dividends or other distributions in respect of its capital stock; provided that Frontier may continue paying quarterly dividends in an amount not to exceed \$0.25 per share in accordance with its dividend payment practices in 2008;

from and after March 1, 2010, offering or engaging in negotiations concerning any potential issuance of debt securities other than the financing contemplated by the merger agreement and described below under Financing Matters ;

splitting, combining or reclassifying its capital stock or issuing securities in respect of, in lieu of or in substitution for its capital stock; and

redeeming, repurchasing or otherwise acquiring its capital stock.

Non-Competition

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The merger agreement and the distribution agreement do not contain any restrictions on either party's ability to compete with the other party following the merger.

Proxy Materials

The parties agreed to prepare this proxy statement/prospectus and the registration statement of which it is a part, and Frontier has agreed to file them with the SEC and use all commercially reasonable efforts to have the

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SEC complete its review of this proxy statement/prospectus and declare the registration statement effective. Frontier is required under the terms of the merger agreement to mail this proxy statement/prospectus to its stockholders as promptly as practicable after the SEC completes its review of this proxy statement/prospectus and, if required by the SEC, after the registration statement is declared effective. The parties have agreed to prepare a registration statement to effect the registration of the shares of Spinco common stock to be issued in connection with the distribution, and Spinco has agreed to file that registration statement with the SEC and use all commercially reasonable efforts to have the registration statement declared effective by the SEC prior to the distribution.

Listing

Frontier has agreed to make application to the NYSE for the listing of the shares of its common stock to be issued pursuant to the merger agreement and use all commercially reasonable efforts to cause such shares to be approved for listing.

Efforts to Close

The merger agreement provides that each party to the merger agreement, subject to customary limitations, will use all commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate the transactions contemplated by the merger agreement, the distribution agreement, the cutover plan support agreement, the employee matters agreement, the intellectual property agreement, the software license agreement, the FiOS intellectual property agreement, the FiOS software license agreement, the FiOS trademark license agreement, the joint defense agreement and the tax sharing agreement, collectively referred to as the transaction agreements, including executing such documents, instruments or conveyances that may be reasonably necessary or advisable to carry out any of the transactions contemplated by the merger agreement and the other transaction agreements.

Regulatory Matters

The merger agreement provides that each of the parties to the merger agreement will use all commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions, including:

obtaining all necessary actions, waivers, consents, and approvals from any governmental authority;

obtaining the consents of the FCC and state and local regulatory agencies relating to telecommunications regulatory matters, in each case without the imposition of any conditions or restrictions other than those as Frontier may offer in its discretion and other than those that would not reasonably be expected to constitute a materially adverse regulatory condition (as described further under Conditions to the Completion of the Merger);

defending any lawsuits or other legal proceedings challenging the merger agreement or the consummation of the transactions contemplated by the merger agreement;

contesting any actions or proceedings instituted by a regulatory authority; and

resolving any objections or challenges from a regulatory authority;

provided, however, that the parties are not obligated to appeal the denial of approval by the FCC or any state public service or public utility commission or similar state regulatory body.

Verizon, Spinco and Frontier have also agreed to (a) make all required filings under the Hart-Scott-Rodino Act, and (b) file all required applications with the FCC and state and local regulatory agencies relating to telecommunications regulatory matters.

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Certain Third-Party Consents

The merger agreement provides that each of Verizon and Spinco will use all commercially reasonable efforts to identify and obtain any material third-party consents necessary to consummate the transactions contemplated by the merger agreement or the distribution agreement (including for up to six months following the closing), and the parties have agreed on an allocation of the costs associated with obtaining those consents. Verizon has also agreed to use all commercially reasonable efforts to identify and obtain any third-party intellectual property consents required in connection with the consummation of the transactions contemplated by the merger agreement or the distribution agreement (including for up to six months following the closing), and the parties have agreed on an allocation of the costs associated with obtaining such consents. To the extent any required consent is not received prior to the closing of the merger, then (a) if applicable, the contract that is subject to that consent will not be assigned in the contribution and (b) if applicable, to the extent any such contract may only be enjoyed by an affiliate of Verizon, that contract will be transferred to another affiliate of Verizon, and in each case Verizon will use all commercially reasonable efforts to make the benefits of any such contract available to the combined company for the duration of such contract (excluding any renewal period that will come into effect after six months following the closing of the merger).

Verizon and Frontier have also agreed to use all commercially reasonable efforts to obtain any necessary consent from the counterparty to any blended customer contract to separate the portion of that contract relating to the goods or services purchased from or supplied to the Spinco business under the contract and transfer such portion to Spinco.

The merger agreement also provides that with respect to certain retained customer accounts, with respect to any customer contract that is required to be transferred pursuant to the distribution agreement but not assigned and with respect to any blended customer contract that is not assumed due to the failure to obtain the necessary consent, (a) to the extent that contract involves the provision of incumbent local exchange carrier services that are part of the Spinco business, Verizon will use the combined company to provide those services and (b) to the extent that contract involves the provision of services other than incumbent local exchange carrier services, Verizon will continue to provide specified services to the customer in accordance with such contract. Verizon agreed to make certain payments to the combined company in connection with the delivery of those services to the applicable customers.

Employee Matters

The merger agreement provides that throughout the internal restructurings taken in contemplation of the merger agreement, including the contribution, the distribution and the merger, the employees of the Spinco business will maintain uninterrupted continuity of employment, compensation and benefits (and with respect to union-represented employees, uninterrupted continuity of representation for purposes of collective bargaining and uninterrupted continuity of coverage under their collective bargaining agreements), as contemplated by the employee matters agreement. See *Additional Agreements Between Frontier, Verizon and Their Affiliates* The Employee Matters Agreement.

No Solicitation

The merger agreement contains detailed provisions restricting Frontier's ability to seek an alternative transaction. Under these provisions, Frontier agrees that it and its subsidiaries will not, and will use all commercially reasonable efforts to cause its and its subsidiaries' officers, directors, employees, advisors and agents not to, directly or indirectly:

knowingly solicit, initiate or encourage any inquiry or proposal that constitutes or could reasonably be expected to lead to an acquisition proposal;

provide any non-public information or data to any person relating to or in connection with an acquisition proposal, engage in any discussions or negotiations concerning an acquisition proposal, or otherwise knowingly facilitate any effort or attempt to make or implement an acquisition proposal;

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approve, recommend, agree to or accept, or propose publicly to approve, recommend, agree to or accept, any acquisition proposal; or

approve, recommend, agree to or accept, or propose to approve, recommend, agree to or accept, or execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement related to any acquisition proposal.

Frontier also agreed to cease and cause to be terminated any existing activities, discussions or negotiations with any persons conducted prior to the execution of the merger agreement with respect to any acquisition proposal.

The merger agreement provides that the term "acquisition proposal" means any proposal regarding:

any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving Frontier or any of its significant subsidiaries;

any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of the consolidated assets (including stock of Frontier's subsidiaries) of Frontier and its subsidiaries, taken as a whole, constituting 15% or more of the total consolidated assets of Frontier and its subsidiaries, taken as a whole, or accounting for 15% or more of the total consolidated revenues of Frontier and its subsidiaries, taken as a whole, in any one transaction or in a series of transactions;

any direct or indirect purchase or sale of or tender offer, exchange offer or any similar transaction or series of related transactions engaged in by any person following which any person or group of persons would own 15% or more of the outstanding shares of Frontier common stock; or

any other substantially similar transaction or series of related transactions that would reasonably be expected to prevent or materially impair or delay the consummation of the transactions contemplated by the merger agreement or the other agreements executed in connection therewith.

The merger agreement does not prevent Frontier or its board of directors from engaging in any discussions or negotiations with, or providing any non-public information to, any person in response to an unsolicited bona fide superior proposal or acquisition proposal that the Frontier board, after consulting with a financial advisor of nationally recognized reputation, determines in good faith would reasonably be expected to lead to a superior proposal. However, Frontier or its board of directors may take such actions only if and to the extent that:

Frontier stockholders have not yet approved the merger proposals;

the Frontier board, after consulting with its legal advisors, determines in good faith that failure to take such action would reasonably be expected to result in a breach of its fiduciary duties to Frontier stockholders under applicable laws; and

before providing any information or data to any person in connection with an acquisition proposal by that person, such information is provided to Verizon at the same time it is provided to that person (to the extent not previously provided or made available to Verizon);

and before providing any non-public information or data to any person or entering into discussions or negotiations with any person, the Frontier board promptly notifies Verizon of any such inquiry, proposal or offer or any request for information, or any discussions or negotiations sought to be initiated or continued with Frontier, and identifies the material terms and conditions of the acquisition proposal and the identity of the person making such acquisition proposal. Frontier has agreed to keep Verizon reasonably informed on a reasonably prompt basis (and in any event within 24 hours following receipt of any acquisition proposal or changes thereto) of the status and material terms of any proposals or offers and the status of discussions and negotiations.

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The merger agreement provides that the term "superior proposal" means any proposal or offer made by a third party to acquire, directly or indirectly, by merger, consolidation or otherwise, for consideration consisting of cash and/or securities, at least a majority of the shares of Frontier's common stock then outstanding or all or

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substantially all of the assets of Frontier and its subsidiaries and otherwise on terms which the Frontier board, after consultation with its legal and financial advisors, determines in its good faith judgment to be more favorable to Frontier stockholders than the merger (taking into account all of the terms and conditions of such proposal and of the merger agreement as well as any other factors deemed relevant by the Frontier board) and reasonably capable of being consummated on the terms so proposed, taking into account all financial, regulatory, legal and other aspects of such proposal.

Prior to the approval of the merger proposals by Frontier stockholders, the Frontier board may withdraw or modify its recommendation that Frontier stockholders vote for the merger proposals if, after consulting with its legal advisors, it concludes in good faith that failure to take such action would reasonably be expected (taking into account any new or revised proposals made by Verizon) to result in a breach of its fiduciary duties to Frontier stockholders under applicable law, but only if:

Frontier provides Verizon with written notice at least five business days before taking such action and indicates in its notice (A) if the change of recommendation is not being made as a result of a superior proposal, the Frontier board's reasons for taking such action, and (B) if the change of recommendation is being made as a result of a superior proposal or involves the recommendation of a superior proposal, the material terms and conditions of the superior proposal (including the identity of the party making such superior proposal); and

prior to effecting the change in recommendation or recommending a superior proposal, Frontier provides Verizon the opportunity to submit an amended written proposal or to make a new written proposal to Frontier during the five business day notice period.

Frontier is required to deliver a new written notice to Verizon in the event of material revisions to such a third-party acquisition proposal and again comply with the above requirements, except the notice period will be reduced to two business days.

In addition, the merger agreement does not prevent Frontier from disclosing to Frontier stockholders a position with respect to a tender offer as required by law or from making any disclosure to Frontier stockholders if, in the good faith judgment of the Frontier board, after consultation with its legal advisors, it is required to do so in order to comply with its fiduciary duties to Frontier stockholders under applicable law.

Frontier is required to submit the merger agreement to a stockholder vote even if the Frontier board changes its recommendation of the merger (including in connection with a superior proposal), and Frontier may not terminate the merger agreement to accept a superior proposal.

Financing Matters

Pursuant to the distribution agreement, Verizon is entitled to receive a special cash payment from Spinco immediately prior to the distribution. This special cash payment is contemplated to be financed through the special cash payment financing. Additionally, in certain circumstances, Spinco debt securities may be issued to Verizon pursuant to the distribution agreement. The merger agreement contains various covenants of Verizon, Frontier and Spinco relating to the special cash payment financing and the Spinco debt securities, including agreements by Verizon and Frontier:

to meet from time to time to discuss strategy and timing for seeking proposals from reputable lenders or underwriters to provide, arrange or underwrite the special cash payment financing (which may be negotiated, drawn down or issued in one or more tranches);

to jointly solicit proposals from reputable financing sources no later than nine months after the date of the merger agreement, with Frontier having the right to select from among the proposals received one or more which Frontier reasonably determines to be the most favorable and to take the lead in negotiations with financing sources (subject to the obligation to keep Verizon informed of all material developments and to allow Verizon to participate in the negotiations);

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to use all commercially reasonable efforts to finalize all documentation with respect to the special cash payment financing and, subject to the extension rights and Frontier's rights to not accept the financing as described below, to accept and execute (and to cause Spinco to execute) documentation relating thereto;

if Spinco debt securities are to be issued, to have Frontier (A) take the lead in the negotiation of the terms and conditions thereof with the financial institutions selected by Verizon to be party to any debt exchange elected to be consummated by Verizon, subject to keeping Verizon informed of all material developments and providing Verizon with an opportunity to participate in all negotiations relating to the terms of such Spinco debt securities and (B) determine, in consultation with Verizon, the final form of the Spinco debt securities and related agreements (including registration rights arrangements and indenture) consistent with the terms described in this proxy statement/prospectus under the heading "Financing of the Combined Company," provided that the covenants and economic terms thereof would reasonably be expected to result in the Spinco debt securities being exchanged for Verizon obligations in an equal principal amount; and

if Spinco debt securities are to be issued and if Verizon elects to consummate the debt exchange, to allow Verizon to have the sole right to structure the arrangements relating thereto with underwriters, arrangers and other third parties relating to the debt exchange, provided that Verizon keeps Frontier reasonably informed regarding such arrangements.

The merger agreement provides the parties with certain rights to defer consummating the financing (and thereby defer the closing). Specifically, if at the time proposed for acceptance and execution of documentation relating to the special cash payment financing and, if required, the Spinco debt securities, the negotiated terms do not satisfy the requirements for the financing that are described in the immediately following paragraph, and if at that time the other conditions to closing have been satisfied (other than those that would be satisfied by action at the closing and other than the condition to the obligation of Verizon related to its receipt of financing proceeds), either Verizon or Frontier may elect to defer the closing (subject to the satisfaction of the closing conditions on such deferral date) until the final business day of the next calendar month. If elected, the parties will cooperate in seeking to improve the proposed terms of the special cash payment financing and, if applicable, the Spinco debt securities during such deferral period. This right of deferral may be elected on one or more occasions but no more than four times in total by Frontier and Verizon, and, if elected for a fourth time, the period of such deferral will last until the final business day of the second calendar month following the date on which such deferral is elected.

Frontier is not obligated under the merger agreement to accept or execute documentation relating to the special cash payment financing or, if required, the Spinco debt securities if:

either (A) the weighted average life of the aggregate of such financing and securities, together with any distribution date indebtedness, is less than five years or (B) any of the special cash payment financing or the Spinco debt securities would have a final maturity of earlier than January 1, 2014, other than any bridge financing with a maturity of at least 364 days in an aggregate amount not in excess of \$600 million;

such financing or securities or any distribution date indebtedness would be secured by any assets of any operating company;

the terms or provisions of such financing or securities or of any distribution date indebtedness would cause their incurrence or assumption by Frontier in or as a result of the merger to be prohibited by or cause (with or without notice or the lapse of time) a default under Frontier's existing credit agreements or indentures as in effect on the date of the merger agreement; or

both (I) the proposed covenants and other terms and conditions in such documentation (excluding (A) any terms of the Spinco debt securities described in this proxy statement/prospectus under the heading "Financing of the Combined Company," and (B) the rate, yield or tenor thereof) are not, in the aggregate, substantially in accordance with then prevailing market terms for similarly sized term loan

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bank borrowings and/or capital market issuances by companies of a size and with credit ratings similar to the combined company and (II) the effect of such covenants and other terms and conditions that are not in accordance with the prevailing market terms (excluding (A) any terms of the Spinco debt securities described in this proxy statement/prospectus under the heading Financing of the Combined Company, and (B) the rate, yield or tenor thereof) would, in the aggregate, be materially adverse to the combined company.

Additionally, Frontier is not obligated to accept or execute documentation relating to the special cash payment financing or the Spinco debt securities if as a result thereof the weighted average annual cash interest rate (including annual accretion of original issue discount with respect to indebtedness issued with a material amount of original issue discount) payable on the aggregate of the special cash payment financing, the Spinco debt securities and any distribution date indebtedness would exceed 9.5%, unless Frontier reasonably determines in good faith that these coverage costs would not be unduly burdensome.

Frontier has agreed to discuss and consider from time to time, at the request of Verizon, the possibility of Frontier allowing Verizon to cause Spinco to incur a portion of the special cash payment financing in advance of the closing, but is under no obligation to do so.

Not later than 60 days prior to the reasonably anticipated closing date, Verizon will deliver to Frontier a certificate setting forth the anticipated amount of the special cash payment, along with Verizon's then-current estimate of (1) distribution date indebtedness and (2) Verizon's tax basis in Spinco as of the distribution. Verizon will have the right to update such certificate up to 15 days prior to the closing of the merger in light of any updated information of Verizon regarding its tax basis in Spinco and the amount of distribution date indebtedness.

Realignment Activities of Verizon

Verizon has agreed to segregate the operation of the Spinco business in the Spinco territory (other than West Virginia) from Verizon's other businesses, referred to as the realignment, such that the sufficiency of assets representation of Verizon included in the merger agreement will be accurate as of the closing of the merger in accordance with the closing condition set forth in the merger agreement. The sufficiency of assets representation is subject to qualifications and assumptions and should be read in its entirety. No later than 60 days prior to the reasonably anticipated closing date, Verizon will notify Frontier stating that the realignment has been completed as of the date of such notice, and Frontier will be granted reasonable rights of access from time to time to validate and confirm the completion of the realignment (including the functioning of principal operating systems) in accordance with the merger agreement. Verizon has agreed that it will not take any action in connection with the realignment that would result in any material increase in the number of employees performing each material function of the Spinco business above the number of employees performing such function as of the date of the merger agreement.

Verizon has also agreed to create a separate instance of the Verizon proprietary software systems used in the conduct of the Spinco business in the Spinco territory (other than West Virginia) and to install that software on equipment the majority of which will be located in a data center in Fort Wayne, Indiana, that will be owned by a subsidiary of Spinco as of the closing of the merger (with the balance of this equipment to be made available on a firewall basis from Verizon after the closing of the merger and to be transferred by Verizon to the Fort Wayne data center within one year following the closing of the merger).

Director and Officer Insurance and Release

Under the terms of the merger agreement, the parties have agreed that Frontier, the combined company and each of their respective subsidiaries will assist Verizon in maintaining after the closing of the merger, at Verizon's expense, directors' and officers' liability insurance policies and fiduciary liability insurance policies covering certain officers, directors, trustees and fiduciaries of Verizon, its subsidiaries and certain other entities,

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referred to as the covered persons. The parties also agreed that as of the effective time of the merger, the combined company, on behalf of itself, its subsidiaries and their respective successors and assigns, will execute releases releasing the covered persons from any and all claims pertaining to acts or omissions by the covered persons prior to the closing of the merger, provided that such covered persons also execute such releases releasing the combined company, its subsidiaries and their respective successors and assigns from any and all claims that such covered persons have or may have of any kind.

Tax Matters

The merger agreement contains certain additional representations, warranties and covenants relating to the preservation of the tax-free status of (i) the series of preliminary restructuring transactions to be engaged in by Verizon, (ii) the contribution transactions, (iii) the distribution transactions, (iv) the exchange of the Spinco debt securities for Verizon debt and (v) the merger of Spinco and Frontier (which the merger agreement refers to collectively as the tax-free status of the transactions). Additional representations, warranties and covenants relating to the tax-free status of the transactions are contained in the tax sharing agreement. Indemnification for all matters relating to taxes is governed by the terms, provisions and procedures described in the tax sharing agreement. See Additional Agreements Between Frontier, Verizon and Their Affiliates The Tax Sharing Agreement.

Certain Other Covenants and Agreements

The merger agreement contains certain other covenants and agreements, including covenants (with certain exceptions specified in the merger agreement) relating to:

post-signing disclosure that Verizon will make available to Frontier (and thereby modify applicable representations) regarding the California operations of the Spinco business;

financial statements for the Spinco business that Verizon will provide on a quarterly basis between the signing of the merger agreement and the closing;

actions to be taken by the independent auditors of Frontier and Verizon;

ensuring effectiveness of internal controls over financial reporting of the combined company;

certain ancillary agreements that may be entered into between Verizon and/or its affiliates, on the one hand, and Spinco and/or affiliates of Frontier, on the other hand, regarding video transport services, and back office support for certain large enterprise and governmental customers to be served by both Verizon and Frontier;

certain telephone directories agreements that Spinco will offer to enter into with Directories Media Inc. (a former affiliate of Verizon) to the extent such agreements are binding upon the Spinco business as of immediately prior to the time of the merger; and

the negotiation of a joint defense agreement setting forth the procedures for defending and resolving any matters of common interest to Verizon and Frontier arising from the transactions contemplated by the merger agreement, distribution agreement and related agreements.

Conditions to the Completion of the Merger

The respective obligations of Frontier, Verizon and Spinco to complete the merger are subject to the satisfaction or waiver of various conditions, including:

the completion of the distribution in accordance with the terms of the distribution agreement;

the termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Act;

receipt of the requisite consents of telecommunications regulatory agencies;

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the absence of conditions imposed in connection with obtaining telecommunications regulatory consents that constitute a materially adverse regulatory condition (which means any condition, obligation or restriction sought to be imposed in connection with obtaining a telecommunications regulatory consent that, taken together with any other conditions or restrictions sought to be imposed to obtain any other telecommunications regulatory consent, would reasonably be expected to be materially adverse to Frontier, to Spinco or to Verizon (assuming for this purpose that the business, assets, properties and liabilities of each of (i) Verizon and all Verizon subsidiaries and (ii) Frontier and all Frontier subsidiaries are comparable in size to those of Spinco and all Spinco subsidiaries), disregarding for this purpose any condition or requirement on Frontier or the combined company (a) to make capital expenditures substantially consistent with the amounts and general categories of expenditures set forth in (1) Frontier's 2009 capital expenditure budget or (2) Verizon's 2009 capital expenditure budget for the Spinco business, (b) that is offered by Frontier in its discretion at any time within nine months of the date of the merger agreement in an application for an order approving the transactions contemplated by the merger agreement or in any related filing or testimony made within nine months of the date of the merger agreement or (c) to abide by any written binding commitments made by Verizon or any Verizon subsidiary with respect to the Spinco business, or by Frontier or any of its subsidiaries, to any governmental authority prior to the date of the merger agreement);

the effectiveness of the registration statement of which this proxy statement/prospectus is a part and the receipt of all necessary permits and authorizations under state and federal securities laws;

the approval for listing on the NYSE of the Frontier common stock to be issued pursuant to the merger agreement;

the approval of the merger proposals by Frontier stockholders at the special meeting, in accordance with applicable law and the rules and regulations of the NYSE;

the absence of any decree, judgment, injunction, writ, ruling or other order issued by a court or governmental authority which restrains, enjoins or prohibits the contribution transactions, the distribution transaction or the merger;

the absence of any action taken, and the absence of any statute, rule, regulation or executive order having been enacted, entered, promulgated or enforced by any governmental authority, having the effect of (1) restraining, enjoining or prohibiting the contribution, the distribution, the merger or the other transactions contemplated by the merger agreement, the distribution agreement or the employee matters agreement, or (2) imposing any burdens, liabilities, restrictions or requirements on such transactions or on Verizon, Spinco or Frontier with respect to such transactions that would reasonably be expected to have a material adverse effect on Verizon (assuming for such purposes that Verizon were the size of the combined company) or the combined company;

receipt by Verizon and Spinco of the IRS ruling, unless an alternative structure for the transaction is implemented;

receipt by each of Verizon and Spinco, on the one hand, and Frontier, on the other hand, of a legal opinion stating that the merger will constitute a reorganization under Section 368(a) of the Code;

receipt by Verizon of a legal opinion from Verizon's counsel to the effect that the distribution will qualify as tax-free to Verizon, Spinco and the stockholders of Verizon under Section 355 and related provisions of the Code, which opinion will rely on the IRS ruling as to matters covered by the ruling; and

receipt by Verizon and Frontier of a customary solvency opinion of a nationally recognized independent valuation firm selected by Verizon attesting to the solvency of the combined company on a pro forma basis immediately after the closing of the merger.

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Verizon and Spinco's obligations to complete the merger are also subject to the satisfaction or waiver of the following additional conditions:

performance by Frontier, in all material respects, of all its obligations and compliance by Frontier, in all material respects, with all covenants required by the merger agreement to be performed or complied with prior to closing, as certified in writing by a senior officer of Frontier;

the accuracy of Frontier's representations and warranties set forth in the merger agreement (subject to certain exceptions), without any qualification as to materiality or material adverse effect set forth therein, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Frontier and its subsidiaries, as certified in writing by a senior officer of Frontier;

receipt by Verizon of the special cash payment, and, if required, a principal amount of Spinco debt securities that, together with the amount of any distribution date indebtedness, totals \$3.333 billion, and, if Spinco debt securities are issued and if Verizon desires to consummate a debt exchange, the consummation of the debt exchange with respect to a principal amount of Spinco debt securities equal to (x) \$3.333 billion minus (y) the sum of (A) the amount of the special cash payment and (B) the amount of any distribution date indebtedness;

the absence of any state of fact, change, development, event, effect, condition or occurrence since December 31, 2008 that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Frontier; and

execution and, to the extent applicable, timely performance by Frontier in all material respects of the transaction agreements.

Frontier's obligation to complete the merger is also subject to the satisfaction or waiver of the following additional conditions:

performance by Verizon and Spinco, in all material respects, of all their respective obligations and compliance by Verizon and Spinco, in all material respects, with all covenants required by the merger agreement to be performed or complied with prior to closing, as certified in writing by a senior officer of each of Verizon and Spinco;

the accuracy of Verizon and Spinco's representations and warranties set forth in the merger agreement (subject to certain exceptions), without any qualification as to materiality or material adverse effect set forth therein, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Verizon, Spinco or the Spinco business, as certified in writing by a senior officer of each of Verizon and Spinco;

execution and, to the extent applicable, timely performance by Spinco and Verizon (or a subsidiary thereof) in all material respects of the distribution agreement and the other ancillary transaction agreements; and

the absence of any state of fact, change, development, event, effect, condition or occurrence since December 31, 2008 that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Spinco or the Spinco business.

Termination

The merger agreement may be terminated by:

the mutual written consent of the parties;

any of the parties if the merger is not consummated by July 31, 2010, referred to as the end date (such date may be extended in certain circumstances by either Verizon or Frontier for one month periods that

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shall not exceed four months in the aggregate in order to obtain outstanding regulatory consents or one month and two month periods that shall not exceed five months in the aggregate in order to complete certain financing transactions as described above under Financing Matters);

any of the parties if the merger is permanently enjoined or prohibited, or if a final, non-appealable order has been entered into that would constitute a materially adverse regulatory condition;

Frontier, on the one hand, or Verizon and Spinco, on the other hand, if the other party or parties breach the merger agreement in a way that would entitle the party or parties seeking to terminate the agreement not to consummate the merger, subject to the right of the breaching party or parties to cure the breach;

Frontier, on the one hand, or Verizon and Spinco, on the other hand, if the requisite Frontier stockholder approvals have not been obtained at the special meeting, except that Frontier will not be permitted to terminate the merger agreement because of the failure to obtain the stockholder approval if that failure was caused by Frontier's actions or inactions that constitute a material breach of the merger agreement;

Verizon and Spinco, if (1) the Frontier board withdraws or adversely modifies its recommendation of the merger proposals (including recommending a competing acquisition proposal) or (2) Frontier fails to call and hold the special meeting within 60 days after the date on which the SEC shall have completed its review of this proxy statement/prospectus and, if required by the SEC as a condition to the mailing of this proxy statement/prospectus, the date of effectiveness of the registration statement of which it is a part; or

Verizon and Spinco on any date, if on that date (1) the average of the volume-weighted averages of the trading prices of the Frontier common stock for any period of 60 consecutive trading days that ended within three business days prior to that date is below \$3.87 and (2) Verizon and Spinco notify Frontier in writing that they are terminating the merger agreement in accordance with this provision.

Termination Fee Payable in Certain Circumstances

Frontier has agreed to pay Verizon a termination fee of \$80 million in the event that:

Verizon and Spinco terminate the merger agreement as a result of the Frontier board withdrawing or adversely modifying its recommendation of the merger proposals (including recommending a competing acquisition proposal) or Frontier failing to call and hold the special meeting within 60 days after the date on which the SEC shall have completed its review of this proxy statement/prospectus and, if required by the SEC as a condition to the mailing of this proxy statement/prospectus, the date of effectiveness of the registration statement of which it is a part, or

(i) Frontier receives a competing acquisition proposal after the date of the merger agreement, (ii) one of the parties terminates the merger agreement due to the passing of the end date or Verizon and Spinco terminate the merger agreement because Frontier breaches certain specified provisions of the merger agreement, or a competing acquisition proposal has been publicly announced prior to Frontier stockholders' meeting and Frontier stockholders fail to approve the merger proposals and (iii) within 12 months after such termination of the merger agreement, Frontier consummates a business combination transaction or enters into a definitive agreement with respect to such a transaction.

Indemnification

The representations and warranties made by the parties in the merger agreement and the pre-closing covenants of the parties thereunder do not survive the closing of the merger and, except as described below, the merger agreement does not contain any post-closing indemnification obligations with respect to these matters.

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Under the merger agreement, the combined company is obligated to indemnify Verizon and its affiliates against all losses and expenses arising out of:

its failure to timely pay for liabilities related to the Spinco business;

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its failure to perform certain obligations under the merger agreement and the distribution agreement; and

any untrue statement or alleged untrue statement of a material fact contained in this proxy statement/prospectus, or the registration statement of which it is part, or any omission or alleged omission to state a material fact necessary to make the statements contained herein or therein not misleading (the combined company is not responsible, however, for certain information provided by Verizon as to itself and its subsidiaries, including Spinco).

The merger agreement also provides that Verizon will indemnify the combined company and its affiliates against all losses and expenses arising out of:

its failure to timely pay for liabilities related to its business other than liabilities assumed by Spinco in the contribution;

any amount of indebtedness of Spinco on the distribution date to the extent not included in an estimate of such amount that Verizon is required to provide to Frontier prior to the closing;

its failure to perform certain obligations under the merger agreement and the distribution agreement (provided that any claim for indemnification arising from any failure to transfer any Spinco asset to Spinco must be asserted within 18 months following the closing of the merger); and

any untrue statement or alleged untrue statement of a material fact contained in this proxy statement/prospectus, or the registration statement to which it is part, or any omission or alleged omission to state a material fact necessary to make the statements contained herein or therein not misleading, but only with respect to information provided by Verizon as to itself and its subsidiaries, including Spinco.

Expenses

The merger agreement provides that, except as otherwise set forth in any of the transaction agreements, each party will pay its own fees and expenses in connection with the merger agreement, the merger and the transactions contemplated by the merger agreement, provided that:

if the merger is consummated, Verizon and the combined company will each bear 50% of all transfer taxes arising from the transactions and all recording, application and filing fees associated with the transfer of the Spinco assets in connection with the contribution and distribution;

if the debt exchange is consummated, Verizon will pay and be responsible for any fees and reimbursable expenses of the counterparties to such debt exchange and financial and legal advisors and Verizon and the combined company will each bear 50% of all other costs and expenses in connection with the debt exchange (including any printing costs, trustees fees and roadshow expenses);

Verizon will pay the fees and reimbursable expenses of the independent valuation firm incurred in connection with the preparation and delivery of the solvency opinion; and

Verizon and Frontier will each bear 50% of the costs of any filing fees or any advisor or consultant hired by any governmental agency with the mutual consent of Verizon and Frontier (or to which neither party has the right to disapprove), regardless of which party is allocated such cost by law.

If a party pays an amount that is the responsibility of the other party, the paying party will be promptly reimbursed for such amount.

Amendments

The merger agreement may be amended by the parties at any time before or after approval by Frontier stockholders, provided that, after approval by Frontier stockholders, no amendment which by law or under the rules of any relevant stock exchange or automated inter-dealer quotation system requires further stockholder approval may be made to the merger agreement without obtaining that further approval. All amendments to the merger agreement must be in writing and signed by each party.

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The Distribution Agreement

The following is a summary of selected material provisions of the distribution agreement. This summary is qualified in its entirety by reference to the Distribution Agreement, dated as of May 13, 2009, and Amendment No. 1 thereto, dated as of July 24, 2009. The composite form of the distribution agreement, reflecting Amendment No. 1 thereto, is incorporated by reference in its entirety and attached to this proxy statement/prospectus as Annex A-2. The rights and obligations of the parties are governed by the express terms and conditions of the distribution agreement and not by this summary or any other information included in this proxy statement/prospectus. Stockholders of Frontier and Verizon are urged to read the distribution agreement in its entirety. The distribution agreement has been included to provide Frontier stockholders and Verizon stockholders with information regarding its terms. It is not intended to provide any other factual information about Verizon, Spinco, Frontier or the combined company. Information about Verizon, Spinco, Frontier and the combined company can be found elsewhere in this proxy statement/prospectus.

Descriptions regarding the assets and liabilities conveyed to Spinco and retained by Verizon contained in the distribution agreement are qualified by certain information that has been exchanged between Verizon and Spinco and that is not reflected in the distribution agreement. Accordingly, Frontier stockholders and Verizon stockholders should not rely on the general descriptions of assets and liabilities in the distribution agreement, as they have been modified in important ways by the information exchanged between Verizon and Spinco. Frontier does not believe that securities laws require Frontier to disclose publicly any information related to the distribution agreement other than information that has already been so disclosed.

General

The distribution agreement between Verizon and Spinco provides for, among other matters, the principal corporate transactions required to effect the proposed contribution of the Spinco business to Spinco and distribution of Spinco common stock to Verizon stockholders and certain other terms governing the relationship between Verizon and Spinco with respect to or in consequence of the contribution and the distribution.

Preliminary Transactions

Transfer of Assets. Pursuant to the distribution agreement, and subject to certain exclusions, Verizon will transfer or cause to be transferred to Spinco subsidiaries the rights of Verizon in the assets primarily used or held for use in or that primarily arise from the conduct of the Spinco business, including current assets (other than cash), which are the subject of the post-closing working capital adjustment described below. This business consists of local exchange service, designated intrastate and interstate long distance service, network access service, Internet access service, enhanced voice and data services, DSL, fiber-to-the-premises voice, broadband and video services, wholesale services, operator services, directory assistance services, customer service to end users, and, in connection with the foregoing, repairs, billing and collections, as well as other specified activities of Verizon in the Spinco territory. The conveyed assets will specifically include designated fiber-to-the-premises network elements and customer premises equipment at fiber-to-the-premises subscriber locations in the states of Indiana, Oregon and Washington and specified related transmission facilities.

The Spinco business also includes the origination of central office voice switched long distance services in the Spinco territory switched by wire centers that are Spinco assets and providing dial-up and broadband Internet access services and related value-added services provided to broadband customers located in the Spinco territory.

Neither Cellco nor any of its subsidiaries is deemed to be a subsidiary or an affiliate of Verizon for purposes of the distribution agreement or the merger agreement.

Transfer of Liabilities. The transfer of assets to Spinco is made subject to the assumption by subsidiaries of Spinco of certain liabilities of Verizon or its subsidiaries to the extent relating to or arising from the Spinco business or the transferred assets, subject to certain exceptions. These include current liabilities that are the subject of the working capital adjustment described below.

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Exceptions to Transfers. The distribution agreement does not purport to transfer assets or liabilities in respect of taxes (except for certain pre-closing tax assets and liabilities associated with the Spinco business that are taken into account in the working capital adjustment described below), intellectual property assets or employee benefit plans and arrangements, which are the subject of other transaction agreements described below. Additionally, certain assets and liabilities, including certain affiliate agreements, and assets (other than customer relationships) of the dial-up, DSL and dedicated Internet access services and related DSL value-added services taken by DSL customers and long distance portions of the business are excluded from these transfers, as described in the distribution agreement. Transfers of assets and liabilities are subject to receipt of applicable consents, waivers and approvals.

Consideration. Following certain preliminary transfers of assets and liabilities, and immediately prior to the effective time of the merger, Verizon will contribute all of the stock of the Spinco subsidiaries to Spinco in exchange for:

a special cash payment to Verizon in an amount not to exceed the lesser of (i)(x) \$3.333 billion minus (y) the distribution date indebtedness and (ii) Verizon's estimate of its tax basis in the assets transferred to Spinco, and

if the total amount of the special cash payment plus the amount of any distribution date indebtedness is less than \$3.333 billion, a distribution by Spinco to Verizon of the Spinco debt securities having a principal amount equal to such shortfall, which securities Verizon may exchange for outstanding debt obligations of Verizon or otherwise transfer to Verizon stockholders or creditors.

As a result of these transactions, Verizon will receive \$3.333 billion in aggregate value in the form of the special cash payment, the Verizon debt reduction and, if required, Spinco debt securities. The financing associated with these transactions is described further in The Merger Agreement Financing Matters. Also in connection with these transactions, Spinco will issue additional shares of Spinco common stock to Verizon, which will be distributed in the spin-off.

Working Capital Adjustment

The parties to the distribution agreement have agreed that within 90 days after the closing of the merger, Verizon will cause to be prepared and delivered to the combined company a statement setting forth the working capital of Spinco and its subsidiaries (as defined in the distribution agreement) as of the opening of business on the distribution date. If the distribution date working capital of Spinco exceeds zero, no payment will be made by either party with respect to such excess. If the distribution date working capital of Spinco is less than zero, Verizon will pay to the combined company an amount equal to the full amount of the deficit. In the event that the combined company disagrees with Verizon's calculation of the distribution date working capital, the combined company may dispute that calculation if the amount in dispute exceeds \$250,000.

Covenants

Each of Verizon and Spinco has agreed to take specified actions after the signing of the distribution agreement. These actions include the following:

immediately prior to the distribution, terminating all material contracts, licenses, agreements, commitments and other arrangements, formal and informal (including with respect to intercompany cash balances and accounts and notes payable), (x) between Verizon and its subsidiaries (such subsidiaries determined assuming that the distribution has occurred), on the one hand, and either Spinco or any of its subsidiaries, collectively referred to as the Spinco Group on the other hand, or (y) between Cellco or any of its subsidiaries, on the one hand, and the Spinco Group, on the other hand (except as contemplated by the other agreements executed in connection with the transactions); and

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cooperating in seeking to release Verizon and its subsidiaries (such subsidiaries determined assuming that the distribution has occurred), on the one hand, and the Spinco Group, on the other hand, from guarantee obligations that either group may have entered into with respect to the other's business.

Conditions to the Completion of the Spin-Off

The distribution agreement provides that the distribution of Spinco common stock will occur only if each condition to the obligations of Verizon and Spinco to consummate the merger shall have been fulfilled or waived by Verizon (except for the consummation of the contribution and the distribution). See Merger Agreement Conditions to the Completion of the Merger.

Subsequent Transfers

In the event that at any time during the 18-month period following the spin-off Verizon becomes aware that it possesses any assets that should have been transferred to Spinco or its subsidiaries as part of the contribution, Verizon will hold those assets in trust and cause the prompt transfer of the assets to Spinco or the combined company as its successor. In the event that at any time during the 18-month period following the spin-off Spinco or its subsidiaries (or the combined company as its successor) becomes aware that it possesses any assets that should not have been transferred to Spinco, Spinco or the combined company as its successor will hold those assets in trust and cause the prompt transfer of the applicable assets to Verizon.

Mutual Release

Spinco and Verizon have each agreed to release the other party and the other party's respective subsidiaries and representatives from any and all liabilities that it may have against the other party which arise out of or relate to events, circumstances or actions taken by the other party occurring or failing to occur or any conditions existing at or prior to the time of the spin-off. The mutual release is subject to specified exceptions set forth in the distribution agreement. The specified exceptions include:

any liability assumed, transferred, assigned or allocated to Spinco or to Verizon in accordance with, or any liability or obligation (including any liability with respect to payment, reimbursement, indemnification or contribution) of either of them arising under the distribution agreement, any other transaction agreements or any of the contracts or affiliate arrangements contemplated thereby;

the ability of any person to enforce its rights under the distribution agreement, any other transaction agreements or any of the contracts or affiliate arrangements contemplated thereby; and

any liability the release of which would result in the release of any person other than Spinco, Verizon or their respective subsidiaries or representatives.

Expenses

All fees and expenses incurred by the parties in connection with the transactions contemplated by the distribution agreement and the other transaction agreements will be paid as provided for in the merger agreement, provided that (i) Spinco will reimburse Verizon for all financial printer costs in connection with the preparation of any information statement and Form 8-K in connection with the transactions contemplated by the merger agreement and distribution agreement and all mailing costs associated with delivery to Verizon stockholders of such information statement and (ii) Spinco will bear the fees and expenses payable to lenders or their advisors in connection with the special cash payment financing. The foregoing costs of Spinco will be excluded from the working capital calculation described above. See The Merger Agreement Expenses.

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Additional Post-Closing Covenants

The distribution agreement contains additional post-closing covenants of Verizon and Spinco (as the combined company following the merger), including:

restrictions on the Spinco Group and Verizon using any material showing any affiliation with the other group (and the Verizon name being removed from the corporate names of the Spinco Group) other than as provided in the transaction agreements;

Verizon's agreement to use commercially reasonable efforts to assert claims under occurrence-based insurance policies with respect to incidents occurring prior to the distribution (subject to cost reimbursement);

Verizon's agreement to use commercially reasonable efforts to obtain from the relevant third-party insurer an assignment to Spinco of any rights to prosecute claims properly asserted by Spinco prior to the distribution under insurance policies written on a claims made basis;

assert claims under occurrence-based insurance policies with respect to incidents occurring prior to the distribution (subject to cost reimbursement); and

the terms on which books and records relating to the Spinco business will be made available to the combined company following the distribution.

Termination

Following termination of the merger agreement, the distribution agreement may be terminated and the spin-off abandoned at any time prior to the distribution by and in the sole discretion of Verizon.

Additional Agreements Between Frontier, Verizon and Their Affiliates

Frontier, Spinco and Verizon have entered into or, before the completion of the distribution and the merger, will enter into, certain additional agreements and various interim and ongoing relationships. The following is a summary of the material provisions of those agreements. The rights and obligations of the parties are governed by the express terms and conditions of the respective agreements and not by the summary thereof or any other information included in this proxy statement/prospectus. It is not intended to provide any other factual information about Verizon, Spinco, Frontier or the combined company. Information about Verizon, Spinco, Frontier and the combined company can be found elsewhere in this proxy statement/prospectus.

The Employee Matters Agreement

Verizon, Spinco and Frontier entered into an employee matters agreement to govern their respective rights and obligations with respect to current and former employees of the Verizon companies whose duties relate primarily to the Spinco business. Pursuant to the employee matters agreement, all Verizon employees whose primary duties relate to the Spinco business, excluding those employees designated by Verizon, will continue to be employees of Spinco (or one of its subsidiaries) upon the consummation of the merger, referred to as the Spinco employees. Under the employee matters agreement, (i) Verizon will generally retain all liabilities with respect to employees who are not employees of the Spinco business as of the effective time of the merger and (ii) the combined company will generally assume all liabilities with respect to the Spinco employees, with the exception of certain liabilities relating to Spinco employees that were expressly retained by Verizon. The employee matters agreement addresses certain issues including assuming and honoring any collective bargaining agreements governing the employment of the Spinco employees, the establishment of employee benefit plans and arrangements for the Spinco employees, the transfer of pension plan assets from Verizon's pension plans to pension plans maintained by the combined company for the benefit of the Spinco employees and the treatment of equity and incentive plan awards under Verizon's equity and incentive plans that are held by the Spinco employees, each of which are explained in greater detail below.

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For one year following the consummation of the merger, the combined company (or one of its subsidiaries) will provide Spinco employees who are not represented by a union, referred to as Spinco management employees, with at least the same rate of base salary and annual bonus opportunities at the same target level (using Frontier performance metrics consistent with those used for similarly situated Frontier employees) as in effect immediately prior to consummation of the merger. The consummation of the merger (and the related transactions) will not trigger severance benefits for the Spinco employees. During the first 18 months after the merger, the combined company will not be permitted to terminate the employment, other than for cause, of any of the Spinco employees who, at the time of the merger, are actively employed as installers or technicians or who, at the time of the merger, are installers and technicians on a leave of absence or other authorized absence with a right to reinstatement. There will be uninterrupted continuity of union representation and maintenance of collective bargaining agreements throughout the transactions.

Spinco is required under the employee matters agreement to establish benefit plans for Spinco employees that provide benefits that are identical in all material respects to the benefits received by them under Verizon's health plans, welfare plans, 401(k) saving plans and Verizon's management pension plans and union pension plans, referred to as the Spinco plans. Assets and liabilities will be transferred to the Spinco plans in accordance with the terms set forth in the employee matters agreement. Spinco has the ability to amend the Spinco plans following the consummation of the merger, subject to collective bargaining restrictions for Spinco employees who are represented by a union and subject to the agreement that, for the remainder of the calendar year in which the consummation of the merger occurs, the benefits under Spinco plans for Spinco management employees will be substantially comparable in the aggregate to the benefits provided by Verizon under comparable Verizon plans prior to the merger.

The Spinco plans will include the following benefits:

Benefits for Spinco employees who are subject to collective bargaining agreements will be provided in accordance with the applicable collective bargaining agreements.

A defined benefit pension plan and related trust will be established for active Spinco management employees that is identical in all material respects to the applicable Verizon pension plan that covered the Spinco management employees prior to the merger. Assets will be transferred from the applicable Verizon pension plan to the new Spinco pension plan for Spinco management employees based on actuarial assumptions agreed upon by the parties and designed to comply with applicable law.

Defined benefit pension plans and a related trust will be established for active collectively bargained Spinco employees that are identical in all material respects to the applicable Verizon pension plans that covered the Spinco employees who are covered by collective bargaining agreements prior to the merger. Assets will be transferred from the applicable Verizon pension plans to the applicable new Spinco collectively bargained pension plans based on actuarial assumptions agreed upon by the parties and designed to comply with applicable law.

A provision has been included to ensure that Verizon's aggregate transfer related to the tax-qualified pension plans is sufficient for full funding of projected liabilities in the aggregate. Specifically, if the aggregate assets transferred from the tax-qualified Verizon pension plans to the tax-qualified Spinco pension plans are less than the aggregate projected benefit obligations for all the Spinco participants under such plans as of the closing of the merger, Verizon will pay to Frontier or to the Spinco pension plans an amount equal to such underfunding. Any such payment to Frontier is required to be contributed by Frontier to one or more of the underfunded Spinco pension plans as soon as practicable.

A nonqualified excess pension plan also will be established for active Spinco management employees who are eligible for benefits under the Verizon Excess Pension Plan. This new Spinco nonqualified excess pension plan will assume the liabilities related to applicable Spinco management employees, but Verizon will not transfer any assets to this new Spinco nonqualified excess pension plan.

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Defined contribution plans providing for 401(k) contributions and employer matching contributions will be established by Spinco for active Spinco management employees and for Spinco employees who

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are covered by a collective bargaining agreement. Each such plan will be identical in all material respects to the applicable Verizon 401(k) plan that covered the applicable group of Spinco employees prior to the merger. Assets, participant loan liabilities and beneficiary designations will be transferred from the applicable Verizon 401(k) plans to these new Spinco 401(k) plans.

Benefit plans providing comprehensive medical, life insurance, disability, dependent day care and medical reimbursement accounts and similar benefits that are identical in all material respects to Verizon's corresponding benefit plans will be established by Spinco for Spinco employees. These new Spinco benefit plans will waive all limitations as to pre-existing condition exclusions, service conditions and waiting period limitations, and will give credit for deductibles and co-payments incurred by the Spinco employees under the corresponding Verizon benefit plans during the calendar year in which the merger occurs. No assets will be transferred to Spinco with respect to these medical, life insurance, disability and similar benefit plans, except that a net payment will be made to Spinco representing the net balances in Spinco employees' flexible reimbursement accounts.

Frontier (or one of its subsidiaries) will also provide severance benefits in accordance with the applicable collective bargaining agreements for Spinco employees who are represented by a union. Spinco management employees who are terminated within one year following the consummation of the merger will be provided with severance benefits that are no less favorable in the aggregate than the severance benefits provided by Verizon prior to the execution of the merger agreement.

Verizon will retain liabilities under its long-term incentive plans. Outstanding Verizon stock options held by Spinco employees are currently fully vested and will continue to be exercisable until the original expiration date under the terms of the option grants. Restricted stock units and performance stock units will remain payable under the terms and conditions of the Verizon long-term incentive plan and the applicable award agreements. The units held by Spinco employees will immediately vest upon the consummation of the merger, subject to the attainment of any applicable performance goals, and will be payable on their regularly scheduled date. No further deferrals of these units will be allowed by Spinco employees. To the extent not already vested, balances under Verizon's deferred compensation plans will become 100% vested for Spinco employees but will remain with Verizon and will be paid out as provided for under the terms of the Verizon plans.

Accrued time off and leave, incentive and commission bonus programs, and workers' compensation liabilities will be assumed in full by Spinco for all Spinco employees.

The solicitation and hiring of each other's employees is limited by various provisions applicable to Verizon, on the one hand, and to Frontier and Spinco and their subsidiaries (such subsidiaries determined assuming that the merger has occurred), referred to in this section as the Frontier Group, on the other hand. The following restrictive provisions generally apply, unless Verizon and Frontier otherwise mutually agree to make an exception:

During the time period beginning May 13, 2009 and ending one year after the consummation of the merger, Verizon and its subsidiaries (such subsidiaries determined assuming that the distribution has occurred) may not hire an employee of the Frontier Group who voluntarily terminates employment with the Frontier Group until the date that is six months following such termination.

During the time period beginning May 13, 2009 and ending one year after the consummation of the merger, the Frontier Group may not hire an employee of Verizon and its subsidiaries (such subsidiaries determined assuming that the distribution has occurred) who voluntarily terminates employment with Verizon until the date that is six months following such termination.

During the time period beginning May 13, 2009 and ending one year after the consummation of the merger, Verizon and its subsidiaries (such subsidiaries determined assuming that the distribution has occurred) may not solicit for hire any employee of the Frontier Group and the Frontier Group may not solicit for hire any employee of Verizon and its subsidiaries (such subsidiaries determined assuming that the distribution has occurred).

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The Tax Sharing Agreement

The tax sharing agreement will govern the respective rights, responsibilities and obligations of the combined company and Verizon after the distribution and the merger with respect to taxes, including Frontier's and Verizon's obligations to file tax returns and remit taxes, Frontier's and Verizon's control over tax contests and Frontier's and Verizon's obligations to cooperate after the merger in tax return preparation and record-keeping matters.

The tax sharing agreement generally provides that Verizon will be responsible for all taxes (other than taxes on the spin-off and related transactions) for periods before the distribution that are reportable on any tax return that includes Verizon or one of its non-Spinco subsidiaries, on the one hand, and Spinco or one of its subsidiaries, on the other hand. Spinco and Frontier will be responsible for all such taxes reportable on any tax return that includes Spinco or its subsidiaries but does not include any non-Spinco subsidiaries. Additional rules apply to subsidiaries engaged in both the retained Verizon business and the Spinco business prior to the merger. The responsibility for transfer taxes is determined under the merger agreement.

The tax sharing agreement further provides that Frontier, Spinco and certain Spinco subsidiaries will indemnify Verizon for (i) taxes on the spin-off and related transactions resulting from (A) any of their actions (or failures to take certain actions) that disqualify the spin-off and related transactions as tax-free or (B) any issuance of stock by Frontier or any of its affiliates or change in ownership of any such entities (other than changes in ownership solely caused by Verizon) that would cause Section 355(d), Section 355(e) and/or Section 355(f) of the Code to apply to the distribution or any internal spin-off, (ii) taxes on the spin-off and related transactions resulting from the disqualification of the spin-off due to breaches by Frontier or, after the merger, Spinco of representations and covenants and (iii) taxes of Spinco attributable to the Spinco business for which Verizon is not otherwise responsible and that are not related to the spin-off or any related transaction. The indemnification requirement under clauses (i)(A) and (ii) does not extend to taxes related to the spin-off and related transactions that would have been imposed or incurred in the absence of any event described in those clauses. Verizon will indemnify Frontier for (i) the taxes of Verizon and (ii) taxes of Spinco resulting from the spin-off and related transactions unless, in each case, Frontier, Spinco or the Spinco subsidiaries are otherwise responsible for such taxes as described above. However, if the spin-off is taxable as a result of certain actions by both parties, the liability for such taxes is shared equally between Frontier and Verizon.

All parties to the tax sharing agreement have agreed to report the spin-off and the merger as tax-free. Frontier has agreed to adhere to Verizon's determination of the tax basis of the Spinco assets and the value of any tax attribute, such as a net operating loss carryover, absent a final determination to the contrary or manifest error.

To preserve the tax-free status of the distribution, the tax sharing agreement provides for certain restrictions on Frontier's ability to pursue strategic or other transactions. Additionally, Frontier has agreed not to take certain actions which could cause the spin-off to be disqualified as a tax-free spin-off, including: for two full years after the spin-off, Frontier will not enter into any agreement, understanding or arrangement or any substantial negotiations involving the acquisition of stock of Frontier (including by Frontier or its subsidiaries) or a shift of ownership of Frontier, and will not issue additional shares of stock, modify any organizational document or transfer or modify any option, warrant or convertible instrument that is related to an equity interest in Frontier, other than (i) certain issuances to service providers or with respect to a Frontier retirement plan as provided in an applicable safe harbor of the Treasury Regulations or (ii) pursuant to a Frontier stockholder rights plan that meets the requirements of an IRS revenue ruling; for two years after the spin-off Frontier may not repurchase any stock except as allowed under an IRS revenue procedure; and for two years after the spin-off, (a) the Spinco business must actively continue to operate and (b) Frontier will not dissolve, liquidate, merge or consolidate unless it is the survivor in a merger or consolidation. Frontier has also agreed not to pre-pay, pay down, retire, acquire or significantly modify the Spinco debt securities prior to their maturity. However, Frontier may engage in these activities (without limiting its indemnity obligations) if it receives an IRS ruling, Verizon's consent or a legal opinion reasonably satisfactory to Verizon that the tax-free status of the spin-off and the merger will not be adversely affected.

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The Cutover Plan Support Agreement

The following is a summary of selected material provisions of the cutover plan support agreement that relates to Verizon's local exchange business in West Virginia.

The cutover plan support agreement, dated as of May 13, 2009, by and between Frontier and Verizon Information Technologies LLC, referred to as the supplier, sets forth the terms and conditions for the provision by the supplier to Frontier, prior to the consummation of the merger, of services relating to the operation by Frontier following the merger of Verizon's local exchange business in West Virginia.

The term of the cutover plan support agreement extends from May 13, 2009 until the earlier of (i) the termination date of the merger agreement and (ii) the cutover date, which is anticipated to be on or shortly after the closing date of the merger.

The services will consist of preparatory work necessary to implement an effective cutover plan such that Frontier receives the information and data regarding the business of Verizon West Virginia Inc. necessary to accomplish a transition at the closing of the merger from Verizon's systems and procedures to Frontier's systems and procedures for Verizon's local exchange business in West Virginia and establish certain interfaces with Frontier's systems.

The cutover plan support agreement requires Frontier and the supplier to establish, and they have established, a planning committee consisting of representatives of both Frontier and the supplier to discuss, plan and organize a process to facilitate the independent operation of Verizon's local exchange business in West Virginia by the combined company upon the closing of the merger.

Frontier will not pay the supplier any fees for its services other than \$150 per hour for the services of subject matter experts provided by the supplier, at Frontier's request, to answer questions relating to systems and operations that are not related to the cutover plan or specific to Verizon's methods and manner of conducting Verizon's local exchange business in West Virginia, plus the reasonable out-of-pocket travel related costs and expenses incurred by the supplier in connection with such services.

Neither party will be liable to the other party for any indirect, special, consequential, punitive or exemplary damages. The supplier will not be liable to Frontier for any claim or any damages of any kind or nature other than claims arising out of or resulting from the supplier's willful misconduct in performing the supplier's obligations under the cutover plan support agreement.

Intellectual Property Agreements

Verizon and Spinco have agreed to enter into agreements as of the closing of the spin-off relating to intellectual property containing substantially the following terms:

The Intellectual Property Agreement

Assignments. Pursuant to the intellectual property agreement, Spinco and its subsidiaries, subject to previously granted licenses, will assign to Verizon all (i) statutory intellectual property (e.g., U.S. patents and patent applications, copyrights, works of authorship, trademarks, trade names, service marks and domain names, together with all goodwill associated therewith, all applications or registrations, as applicable, for any of the foregoing, and any rights or licenses in the foregoing) and (ii) soft intellectual property (e.g., unpatented inventions, trade secrets, know how and other proprietary information), together with any rights or licenses thereto, but excluding customer listing data and the copyrights therein, in each case to the extent owned by Spinco or its subsidiaries prior to closing.

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Subject to any previously granted licenses, Verizon, at closing, will convey to the combined company (i) an undivided joint ownership of all non-technical, non-public information included in the soft intellectual property owned by Verizon as of the closing after giving effect to the assignment in the preceding paragraph and used in the Spinco business at any time during the twelve-months prior to the closing date, but excluding the customer listing data; and (ii) all right, title and interest of Verizon in all customer data and personnel information of Verizon or its affiliates who are in the employ of Verizon immediately prior to the closing, and in the employ of Spinco after the closing. The customer data consists of all customer information obtained in connection with the Spinco business related to providing products and services to customers in the Spinco territory, including, among other things, names, customer addresses, accounts and transaction data. Verizon will have no restrictions on the use or disclosure of any such customer data to the extent it is already in the possession of Verizon or any of its U.S. affiliates but was collected or used other than in connection with the Spinco business.

License Grants. After giving effect to the assignments described in the above section, Spinco will grant to Verizon and its affiliates a personal, royalty-free, fully paid-up, irrevocable, non-exclusive, perpetual and worldwide license to use, publish and create derivative works of the Spinco customer listing data, and to provide directory products or services without in any way accounting to the combined company, Spinco or their respective affiliates.

After giving effect to the assignments described in the above section, Verizon will grant to the combined company and its subsidiaries a personal, non-exclusive, royalty free, fully paid up, irrevocable (except if terminated) and non-transferable (except as otherwise permitted) license under the licensed intellectual property, which includes (1) the soft intellectual property (but excluding (i) non-technical, non-public information owned by Verizon as of the closing and used in the Spinco business at any time during the twelve-months prior to the closing, (ii) Spinco customer listing data and (iii) Verizon proprietary software), and (2) all U.S. patents and patent applications, copyrights, works of authorship, and all applications or registrations, as applicable, for any of the foregoing that, in each case, is used in the Spinco business at any time during the period commencing twelve-months prior to the closing and is owned by Verizon as of the closing, solely for use in connection with the Spinco business (as conducted during the twelve-month period immediately preceding the closing date in the Spinco territory, as reflected in the products and services offered by Spinco in the Spinco territory during such twelve-month period) conducted by the combined company or its subsidiaries in the Spinco territory. The licensed intellectual property excludes: (a) patents and patent applications claiming a filing date after the closing date, (b) copyrights in material created after the filing date, (c) all trademarks and domain names (other than a limited phase-out license), (d) Verizon proprietary software (which is licensed pursuant to a separate agreement), (e) all other intellectual property owned by Verizon, (f) all third-party intellectual property and (g) all Verizon intellectual property related to FiOS products and services (which are licensed under a separate agreement with similar terms and conditions). The license does not include the right to (i) use the licensed intellectual property outside of the Spinco territory (other than by third-party service providers in support of the Spinco business in the Spinco territory in the licensed field of use), (ii) disclose the licensed intellectual property to any person (other than third-party service providers), (iii) grant sublicenses to any person, (iv) assign the license other than to permitted successors and assigns or (v) use the licensed intellectual property for any modifications, improvements, enhancements, additions or derivations of the Spinco business after the closing date that are outside of the licensed field of use.

Verizon also agrees not to sue Spinco and its subsidiaries for (i) modifications and improvements to products and services that are used in the Spinco business by Spinco and its subsidiaries in the Spinco territory that are a reasonably foreseeable expansion of the Spinco business, as reflected by the products and services offered by Spinco as of the closing date, and throughout the term of the agreement, and (ii) products and services in the Spinco business that are bundled with the products and services identified in (i), provided that, in each case, the covenant not to sue excludes any products and services that are wireless or wireless access products or services, VoIP products, products or services based on the Long Term Evolution technology (Cellco's next generation network access technology), long-haul or backbone products or services or their terminations.

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Verizon will grant to the combined company and its subsidiaries a limited right, for a phase-out period not to exceed 120 days following the closing, to use those Verizon marks used in the Spinco business as of the closing date solely for conducting the Spinco business in the Spinco territory. During the phase-out period, the combined company is required to replace, remove or cover over the licensed Verizon marks affixed to Spinco assets no later than 120 days following the closing date, provided that the combined company will have (i) six months to remove the licensed Verizon marks from signs and motor vehicles and (ii) nine months to remove the licensed Verizon marks from tools, equipment or written materials that are used solely for internal purposes and are not visible by the public. In addition, for up to 120 days following the closing date the combined company may use the licensed Verizon marks in a non-trademark manner for purposes of conveying to customers or the general public of the change in ownership and that the name of business has changed. Beginning on the closing date, as soon as practicable following discovery of any use, the combined company, Spinco and its subsidiaries must destroy or deliver to Verizon all items carrying the licensed Verizon marks that have no continuing use in the operation of the Spinco business to the extent that the use of such items could reasonably be construed to create a legal obligation on behalf of Verizon. The combined company, Spinco and its subsidiaries, acknowledging Verizon's exclusive rights in the Verizon marks, agree not to contest Verizon's ownership in, or the validity of, the Verizon marks. The combined company, Spinco and its subsidiaries agree to cooperate reasonably with Verizon in the procurement of any registration of the Verizon marks, including providing evidence of use of such marks.

The combined company, on behalf of itself, Spinco and Spinco's subsidiaries, agrees that the use of the Verizon marks will be in accordance with the license and in conformity with applicable law and will not reflect adversely upon the good name of Verizon, that the operation of the Spinco business will be of a high standard and skill that is at least commensurate with the standard of the Spinco business immediately prior to the closing, and that Verizon has the right to control the nature and quality of the goods and services rendered by the combined company, Spinco and its subsidiaries in connection with the Verizon marks. The combined company acknowledges that its failure to cease use of the Verizon marks as required by the agreement, or improper use of the Verizon marks, will result in immediate and irreparable harm to Verizon, for which there is no adequate remedy at law, and that in the event of such failure to cease use of the Verizon marks, Verizon will be entitled to immediate equitable relief.

For any customers of the Spinco business who, as of the closing date, have e-mail addresses pursuant to the products or services provided to such customers by the Spinco business that contain a Verizon mark in the e-mail address, Verizon shall redirect e-mail traffic to such customers to e-mail servers operated by the combined company for a period of ninety days, such that the combined company may establish new e-mail addresses for such customers.

Indemnification and Limitation of Liability. The combined company, Spinco and the Spinco subsidiaries will jointly and severally indemnify, defend and hold harmless Verizon from all losses, damages and judgments in connection with third-party claims arising directly or indirectly from the use by the Spinco business of the Verizon marks after the closing.

Verizon is not required to secure or maintain in force any licensed intellectual property, and does not provide any representations or warranties as to (i) the validity or scope of the licensed intellectual property or (ii) that the use of licensed intellectual property or the provision of products and services by the combined company will be free from infringement of the intellectual property of a third party.

Neither party will be liable to the other for any indirect damages, including lost profits, or other special, incidental or consequential damages.

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The Software License Agreement

License Grant. Pursuant to the software license agreement proposed to be entered into among Verizon Information Technologies LLC, an affiliate of Verizon, Spinco and the combined company, referred to as the licensee, and Verizon will grant, and cause its affiliates to grant, to the combined company and its subsidiaries a royalty-free, restricted, non-transferable, and non-exclusive, internal use only license to:

use certain Verizon proprietary software in the Spinco territory in support of the Spinco business, (a) as it has been conducted in the Spinco territory during the twelve-month period immediately prior to closing, as reflected in the products and services offered by Spinco in the Spinco territory during such twelve-month period, and existing as of the closing; and (b) the Spinco business as conducted by the licensee in the Spinco territory from and after the closing, as reflected in any other products or services, but only to the extent such other products and services are compatible with the licensed software, and specifically excluding products and services that include, relate to, or rely upon the transmission of any digital data over an optical fiber network to the customer's premises to provide audio, video, or data services, including all products and services offered by Verizon under the FiOS brand. The licensed software includes (i) object code versions of the Verizon proprietary software that supports and enables the products, functions and services of the Spinco business during the twelve-month period immediately prior to closing, (ii) updates to such licensed software (if any) in the form they exist within Verizon during the term of the software license agreement (including supporting information), (iii) software modifications made to any third party software by or for Verizon, and (iv) documentation (which, for object code, will be the then current user manuals and other user documentation provided to other users of the licensed software; for any source code, then current documents in existence within Verizon that are reasonably necessary to maintain and modify such licensed software; and for third party software, then current user manuals and other related documentation that Verizon has received from such third party that Verizon has the right to transfer) and updates to the foregoing;

install updates to the licensed software provided by Verizon to the licensee; and

copy the licensed software for internal use in the Spinco business as conducted by the licensee.

Verizon will deliver the licensed software to the combined company on a date to be agreed upon by the parties.

License Exclusions. The license granted by Verizon to the combined company excludes:

the right to use any third-party intellectual property, even if included in or required for the use of the licensed software;

unless otherwise indicated, the right to obtain or use source code;

the right to create any modifications or derivative works from the licensed software;

the right to use the licensed software outside of the Spinco territory or outside the scope of the license granted;

the right to use the licensed software to provide data processing services to a third party or, unless otherwise indicated, to interconnect with facilities based voice or data telecommunications services of a third party;

the right to use, access or transport the licensed software outside the United States; and

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a license to any Verizon FiOS related software, which license is the subject of a separate FiOS software license agreement proposed to be entered between the parties.

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Restrictions on the License Granted. Unless otherwise provided by the software license agreement, the licensee will have no right to:

grant sublicenses to the licensed software, or any portion thereof, other than to its subsidiaries and service providers for the purpose of providing services to the combined company;

market, disclose, distribute, rent, lease, loan, encumber or otherwise transfer copies of the licensed software, or any portion thereof, to any third party; or

grant any security interests, or otherwise encumber the licensed software.

The licensee may disclose or otherwise make available the licensed software to any third-party service provider providing services to the licensee, provided that, prior to any such disclosure or transfer, the licensee: has provided written notice to Verizon, obtained such third-party service provider's agreement to a confidentiality obligation that is no less restrictive than the terms set forth in the agreement and to the transfer and ownership restrictions set forth therein, and ensured that the third-party service provider is not in the business of providing facilities-based voice or data telecommunications services to any third party. Any breach of the terms of the software license agreement by the third party service provider will be deemed to be a breach by the licensee.

Verizon will own the licensed software, and all improvements thereto, including improvements made by or for the licensee, which improvements the licensee will assign to Verizon.

Maintenance and Other Support. During the maintenance term (which will start on the closing date of the merger and end on the fifth anniversary thereof, unless earlier terminated), Verizon will offer to provide training services to the combined company, at a date and time mutually agreed upon by the parties, at an agreed rate per hour.

Subject to the payment of an annual maintenance fee of \$94 million, Verizon will provide maintenance services to the licensee during the maintenance term. At any time after six months after the closing, the licensee, upon six months' written notice, may terminate all or a portion of such maintenance services. If a portion of such services are terminated, the annual maintenance fee will be reduced by an appropriate amount, unless Verizon can reasonably demonstrate that the cost of providing maintenance services will not be reduced, in which case the parties will discuss any adjustment to the annual maintenance fee. Beginning on the third anniversary of the closing, Verizon may, upon twelve-months' written notice, inform the licensee that it intends to terminate maintenance services. Further, upon six months' prior written notice, Verizon may notify the combined company that it will no longer provide maintenance services for a portion of the licensed software. Should Verizon (a) terminate the provision of maintenance services for all or a portion of the licensed software during the maintenance term, (b) terminate the software license agreement with respect to a portion of the licensed software, or (c) otherwise stop supporting a portion of the licensed software, Verizon will provide to the licensee the source code for such portion of the licensed software at no charge. Maintenance services do not include the service of hardware, hardware platforms, or any third-party intellectual property, all of which will be obtained by the licensee at its own expense.

The licensee agrees to install all upgrades to the licensed software as may be provided by Verizon, and Verizon will have no obligation to provide maintenance services for the licensed software for which the licensee has failed to install such upgrades, until such upgrades have been installed. If failure to install an upgrade increases the cost or time required to provide maintenance services for any licensed software, the combined company will pay Verizon for such increased cost or time, at a mutually agreed rate per hour.

Upon the expiration of the software license agreement, the parties will negotiate in good faith the terms and conditions for the license of source code for those portions of the licensed software licensed to the licensee immediately prior to the expiration of the agreement. Additionally, if Verizon (i) fails or refuses to provide

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software modifications reasonably requested by the licensee that are consistent with the architecture and direction of the licensed software and do not materially affect the interoperability of the licensed software with other software, (ii) fails or refuses to make software modifications reasonably requested by the combined company, or (iii) makes a general assignment for the benefit of its creditors or files for voluntary bankruptcy under any Chapter of Title 11 of the United States Code, other than a reorganization where Verizon assumes the agreement, Verizon will provide the source code for such portion of the licensed software to the licensee at no charge, provided that the licensee is not in material breach of the software license agreement.

FiOS Agreements

Verizon and Spinco have agreed to enter into a FiOS intellectual property agreement having terms similar to the intellectual property agreement with respect to intellectual property relating to Verizon's FiOS video operations. In addition, the FiOS intellectual property agreement includes a trademark license which would grant the combined company a license to use certain trademarks used by Verizon in the offering of FiOS video services in Indiana, Oregon, and Washington.

Verizon and Spinco have also agreed to enter into a FiOS software license agreement on terms similar to the software license agreement, except that the combined company will have no obligation to pay any maintenance fees for the maintenance of the FiOS software licensed to Spinco.

Ancillary Agreements

Verizon and Frontier intend to cause their respective affiliates to enter into an agreement with respect to video transport service. Pursuant to this agreement, Verizon, subject to obtaining necessary rights from vendors of programming content, will transport certain video programming content purchased from third parties to Frontier's video hub offices for distribution to subscribers in Indiana, Oregon and Washington.

Verizon and Frontier will cause their respective affiliates to enter into an agreement with respect to back office support services. Pursuant to this agreement, Frontier will provide certain ordering, billing and repair services to support Verizon's continuing provision of telecommunications services to enterprise customer accounts in the Spinco territory which were retained by Verizon.

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FINANCING OF THE COMBINED COMPANY

Immediately following completion of the merger, Frontier's debt financing arrangements existing immediately prior to the closing of the merger will remain in place (subject to any permitted refinancing or repayment thereof by Frontier).

As of June 30, 2009, Frontier had a revolving credit facility with seven financial institutions in the aggregate amount of \$250 million. As of June 30, 2009, the revolving credit facility was undrawn. Associated facility fees vary, depending on Frontier's debt leverage ratio, and were 0.225% per annum as of June 30, 2009. The expiration date for the revolving credit facility is May 18, 2012. During the term of the revolving credit facility, Frontier may borrow, repay and reborrow funds, and may obtain letters of credit under the revolving credit facility to support Frontier's obligations to third parties, subject to customary borrowing conditions. Loans under the revolving credit facility bear interest based on the prime rate or London Interbank Offered Rate, referred to as LIBOR, at Frontier's election, plus a margin which varies depending on Frontier's debt leverage ratio. Letters of credit issued under the revolving credit facility are also subject to fees which vary depending on Frontier's debt leverage ratio. The revolving credit facility is available for general corporate purposes but may not be used to fund dividend payments. The revolving credit facility is unsecured.

On March 28, 2008, Frontier borrowed \$135.0 million under a senior unsecured term loan facility that was established on March 10, 2008. The loan matures in 2013 and bears interest based on the prime rate or LIBOR, at Frontier's election, plus a margin which varies depending on Frontier's debt leverage ratio.

In December 2006, Frontier borrowed \$150.0 million under a senior unsecured term loan agreement. The loan matures in 2012 and bears interest based on the prime rate or LIBOR, at Frontier's election, plus a margin which varies depending on Frontier's debt leverage ratio.

On October 24, 2001, Frontier borrowed \$200.0 million under a senior unsecured term loan agreement with the Rural Telephone Finance Cooperative, referred to as the RTFC. The loan matures in 2011 and has a fixed interest rate of 6.27%. The loan agreement contains customary representations and warranties, affirmative and negative covenants, a financial covenant that requires compliance with a leverage ratio and customary events of default.

At June 30, 2009, Frontier's notes and debentures represented approximately \$4.474 billion of its approximately \$4.952 billion of indebtedness outstanding. At such date, Frontier had outstanding:

\$665.6 million in principal amount of 9.250% Senior Notes due 2011;

\$700.0 million in principal amount of 6.250% Senior Notes due 2013;

\$600.0 million in principal amount of 8.250% Senior Notes due 2014;

\$300.0 million in principal amount of 6.625% Senior Notes due 2015;

\$434.0 million in principal amount of 7.125% Senior Notes due 2019;

\$360.0 million in principal amount of 7.875% Senior Notes due 2027;

\$945.3 million in principal amount of 9.000% Senior Notes due 2031; and

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\$468.7 million in principal amount of Debentures with weighted average interest rates of 7.229% and maturities ranging from 2025-2046.

On April 9, 2009, Frontier completed a registered offering of \$600.0 million aggregate principal amount of 8.25% senior unsecured notes due 2014. The issue price was 91.805% of the principal amount of the notes. Frontier received net proceeds of approximately \$538.8 million from the offering after deducting underwriting discounts. During the second quarter of 2009, Frontier used \$308.0 million of the proceeds to repurchase \$311.7 million principal amount of debt. Frontier intends to use the remaining net proceeds from the offering to reduce, repurchase or refinance its indebtedness or the indebtedness of its subsidiaries or for general corporate purposes.

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There are no scheduled principal payments required on any of these notes or debentures until their final maturities. Frontier's outstanding senior notes and debentures are senior, unsecured obligations that rank equally in right of payment with all of its existing and future senior indebtedness and rank senior in right of payment to all of its existing and future subordinated indebtedness.

None of Frontier's revolving credit facility, term loans or outstanding senior notes or debentures are guaranteed by its subsidiaries.

For further discussions of the terms of Frontier's existing debt financing arrangements, see Note 8 in the notes to Frontier's unaudited consolidated financial statements for the quarterly period ended June 30, 2009 and Note 11 in the notes to Frontier's audited consolidated financial statements for the year ended December 31, 2008, in each case included elsewhere in this proxy statement/prospectus, and Management's Discussion and Analysis of Financial Condition and Results of Operations - Frontier Liquidity and Capital Resources.

In addition, the combined company will be subject to the following debt financing arrangements of Spinco as a result of the merger.

The merger agreement and the distribution agreement provide that, prior to the spin-off, Spinco will enter into the special cash payment financing to finance the distribution to Verizon of the special cash payment in an amount not to exceed the lesser of (i)(x) \$3.333 billion minus (y) the aggregate amount of distribution date indebtedness and (ii) Verizon's estimate of its tax basis in the assets transferred to Spinco. No later than nine months after the date of the merger agreement, Frontier and Verizon will jointly solicit proposals from reputable financing sources to provide the special cash payment financing, and Frontier will select from among the proposals one or more that Frontier reasonably determines to be the most favorable to Spinco. Frontier will lead the negotiations with such financing sources and keep Verizon informed of all material developments and provide Verizon with an opportunity to participate in the negotiations. Spinco will bear the fees and expenses payable to lenders or their advisors in connection with the special cash payment financing.

The merger agreement and the distribution agreement also provide that, if required, debt securities of Spinco may be issued to Verizon prior to the spin-off. The Spinco debt securities will be in a principal amount equal to (1) \$3.333 billion minus (2) the sum of (A) the total amount of the special cash payment and (B) the aggregate amount of distribution date indebtedness. The Spinco debt securities will be senior unsecured notes, will mature on the ten-year anniversary of issuance, will not be callable at the option of the combined company for five years after issuance and will rank equally with all existing and future senior unsecured debt and senior to all existing and future subordinated debt of the combined company. The covenants and economic terms of the Spinco debt securities will be in a form that would reasonably be expected to result in the Spinco debt securities being exchanged for existing debt obligations of Verizon or its affiliates in equal principal amount. See The Transaction Agreements - The Merger Agreement - Financing Matters. The parties do not expect that any Spinco debt securities will be issued.

Frontier will not be obligated to accept terms of the special cash payment financing or, if required, the Spinco debt securities, if (1) either (A) the weighted average life of the aggregate of such financing and securities, together with the aggregate amount of the distribution date indebtedness, is less than five years or (B) any of the special cash payment financing or the Spinco debt securities would have a final maturity of earlier than January 1, 2014, other than any bridge financing with a maturity of at least 364 days in an aggregate amount not in excess of \$600 million, (2) such financing or securities or distribution date indebtedness would be secured by any assets of any operating subsidiary of the combined company, (3) the terms or provisions of such financing or securities or distribution date indebtedness would cause their incurrence or assumption by the combined company in or as a result of the merger to be prohibited by or cause (with or without notice or the lapse of time) a default under Frontier's existing credit agreements or indentures as in effect on the date of the merger agreement, or (4) both (A) the proposed covenants and other terms and conditions (excluding (I) certain terms of the Spinco debt securities described above and (II) the rate, yield or tenor thereof) are not, in the aggregate, substantially in accordance with then prevailing market terms for similarly sized term loan bank borrowings or capital market

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issuances by companies of a size and with credit ratings similar to the combined company and (B) the effect of such covenants and other terms and conditions that are not in accordance with the prevailing market terms would, in the aggregate, be materially adverse to the combined company. In addition, Frontier will not be obligated to accept terms of the special cash payment financing and, if required, the Spinco debt securities, if as a result thereof the weighted average annual cash interest rate (including annual accretion of original issue discount with respect to indebtedness issued with a material amount of original issue discount) payable on the aggregate of the special cash payment financing, the Spinco debt securities and the distribution date indebtedness would exceed 9.5%, unless Frontier reasonably determines in good faith that such weighted average annual cash interest rate (including annual accretion of original issue discount with respect to indebtedness issued with a material amount of original issue discount) would not be unduly burdensome. The level of Frontier's aggregate after-tax interest expense and aggregate dividend payments will determine whether or not such weighted average annual cash interest rate would be unduly burdensome.

Verizon has the right to elect to undertake an exchange of the Spinco debt securities for debt obligations of Verizon or its affiliates, or transfer the Spinco debt securities to Verizon stockholders or creditors and, if it elects to do so concurrently with the closing of the merger, Verizon has the right to condition the spin-off of Spinco on its ability to consummate that exchange concurrently, but only up to a principal amount of Spinco debt securities equal to (1) \$3.333 billion minus (2) the sum of (A) the total amount of the special cash payment and (B) the aggregate amount of distribution date indebtedness. See [The Transaction Agreements](#) [The Distribution Agreement](#) [Conditions to the Completion of the Spin-Off](#). If Verizon elects to effect an exchange or distribution of the Spinco debt securities, it may be deemed to be an underwriter for purposes of the Securities Act.

The tax sharing agreement imposes certain limitations on the combined company's ability to modify the terms of the Spinco debt securities or take certain other actions relating to the Spinco debt securities following the closing of the merger. See [The Transaction Agreements](#) [Additional Agreements Between Frontier, Verizon and Their Affiliates](#) [The Tax Sharing Agreement](#).

Description of Distribution Date Indebtedness

As of June 30, 2009, Verizon's Separate Telephone Operations had approximately \$625 million aggregate principal amount of indebtedness. Verizon anticipates that approximately \$200 million of such indebtedness will be repaid in the first quarter of 2010. The parties therefore anticipate that distribution date indebtedness will consist of:

\$50 million in principal amount of 8.40% Debentures due 2029 of Verizon West Virginia, as obligor;

\$200 million in principal amount of 6.73% Debentures, Series G, due 2028 of Verizon North, as obligor; and

\$175 million in principal amount of 6.30% Debentures, Series C, due 2010 of Verizon Northwest, as obligor; provided, however, that if the \$175 million in principal amount of 6.30% Debentures, Series C, due 2010, which are scheduled to mature on June 1, 2010, mature prior to the closing date of the merger, the obligations under the 6.30% Debentures, Series C, due 2010 will not constitute distribution date indebtedness.

There are no scheduled principal payments required on any of these debentures until their final maturities. These debentures will be senior, unsecured obligations of subsidiaries of Spinco (and, as a result of the merger, the combined company) that rank equally in right of payment with all of the obligor's existing and future senior indebtedness and rank senior in right of payment to all of the obligor's existing and future subordinated indebtedness. None of these debentures have been, or will be, guaranteed by Spinco or any of its subsidiaries.

For a further discussion of the terms of the distribution date indebtedness, see [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) [Verizon's Separate Telephone Operations](#) [Liquidity and Capital Resources](#).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the financial statements of Frontier and Verizon's Separate Telephone Operations and the notes thereto included elsewhere in this proxy statement/prospectus. Verizon's Separate Telephone Operations' financial information is included elsewhere in this proxy statement/prospectus before taking into account any of the pro forma adjustments detailed in Unaudited Pro Forma Condensed Combined Financial Information. This financial information, together with the pro forma adjustments detailed in Unaudited Pro Forma Condensed Combined Financial Information, reflects the operations that will comprise the Spinco business in connection with the spin-off. The following discussion includes forward-looking statements. For a discussion of important factors, including the integration of the Spinco business into Frontier's existing business, the continuing development of the combined company's business following the merger, actions of regulatory authorities and competitors and other factors that could cause actual results of Frontier, Verizon's Separate Telephone Operations or the combined company to differ materially from the results referred to in the forward-looking statements, see Risk Factors and Cautionary Statements Regarding Forward-Looking Statements.

The Combined Company**Overview**

After completion of the merger, the combined company is expected to be the nation's largest communications services provider focused on rural areas and small and medium-sized towns and cities, and the nation's fifth largest incumbent local exchange carrier, with more than 7,000,000 access lines, 8,600,000 voice and broadband connections and 16,000 employees in 27 states on a pro forma basis as of December 31, 2008. The combined company will offer voice, data and video services to customers in its expanded geographic footprint. Assuming the merger had occurred on January 1, 2008, the combined company's revenues on a pro forma basis would have been approximately \$6.5 billion for the year ended December 31, 2008, and approximately \$3.1 billion for the six months ended June 30, 2009.

The following table lists selected summary financial and operating information for Frontier and Verizon's Separate Telephone Operations for the six months ended June 30, 2009 and the year ended December 31, 2008:

	Six Months Ended June 30, 2009		Year Ended December 31, 2008	
	Frontier (dollars in millions)	Verizon's Separate Telephone Operations (dollars in millions)	Frontier (dollars in millions)	Verizon's Separate Telephone Operations (dollars in millions)
Access lines (as of end of period)	2,189,127	4,491,815	2,254,333	4,766,468
Revenues	\$ 1,070	\$ 2,074	\$ 2,237	\$ 4,352
Cash provided by operating activities	\$ 330	\$ 639	\$ 739	\$ 1,426
Capital expenditures	\$ 110	\$ 279	\$ 288	\$ 730

Results of Operations**Revenues**

The combined company is expected to derive its revenues from:

Local services. The combined company will provide basic telephone wireline services to residential and business customers in its service areas. The combined company's service areas will be largely residential and generally less densely populated than the primary service areas of the largest incumbent local exchange carriers. The combined company will also provide enhanced services to its customers by offering a number of calling features, including call forwarding, conference calling, caller identification, voicemail and call waiting. All of these local services will be billed monthly in advance. The unearned portion of this revenue will be initially deferred as a component of other liabilities on the combined company's balance sheet and recognized as revenue

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over the period that the services are provided. The combined company will also offer packages of communications services. These packages permit customers to bundle their basic telephone line service with their choice of enhanced, long distance, video and Internet services for a monthly fee or usage fee, depending on the plan. The combined company intends to seek to increase the penetration of those enhanced and other services described above. Frontier believes that increased sales of such services will produce revenues with higher operating margins due to the relatively low marginal operating costs necessary to offer such services. Frontier believes that its ability to integrate these services with other services will provide the combined company with the opportunity to capture an increased percentage of its customers' communications expenditures.

Data and Internet services. The combined company will offer data services, including Internet access (via high-speed or dial up Internet access), frame relay, Metro ethernet and asynchronous transfer mode, referred to as ATM, switching services. The combined company will offer other data transmission services to other carriers and high-volume commercial customers with dedicated high-capacity circuits. Such services are generally offered on a contract basis and the service is billed on a fixed monthly recurring charge basis. Data and Internet services are typically billed monthly in advance. The unearned portion of these fees will be initially deferred as a component of other liabilities on the combined company's balance sheet and recognized as revenue over the period that the services are provided.

Access services. Switched access services will allow other carriers to use the combined company's facilities to originate and terminate their long distance voice and data traffic. These services are generally offered on a month-to-month basis and the service is generally billed on a minutes-of-use basis. Access charges are based on access rates filed with the FCC for interstate services and with the respective state regulatory agency for intrastate services. In addition, subsidies received from state and the USF based on the high cost of providing telephone service to certain rural areas will be a part of the combined company's access services revenues. Revenue is recognized when services are provided to customers or when products are delivered to customers. Monthly recurring access service fees will be billed in advance. The unearned portion of this revenue will be initially deferred as a component of other liabilities on the combined company's balance sheet and recognized as revenue over the period that the services are provided.

Long distance services. The combined company will offer long distance services to customers in its territories. Frontier believes that many customers prefer the convenience of obtaining their long distance service through their local telephone company and receiving a single bill. Long distance network service to and from points outside of the combined company's operating territories will be provided by interconnection with the facilities of interexchange carriers. The combined company's long distance services will be billed either on an unlimited or fixed number of minutes basis in advance or on a per minute-of-use basis in arrears. The earned but unbilled portion of these fees will be recognized as revenue and accrued in accounts receivable in the period that the services are provided.

Directory services. Directory services involves the provision of white and yellow page directories for residential and business listings. The combined company will provide this service through third-party contractors. In most of the combined company's markets that were Frontier's markets prior to the merger, the third-party contractors will be paid a percentage of revenues from the sale of advertising in these directories. In the remaining markets that were Frontier markets prior to the merger, the combined company will receive a flat fee from the contractors. In the Spinco territory, the directory services are expected to be provided through a third-party contractor, but the combined company will not receive any fees for listing or advertising. The combined company's directory service will also include Frontier Pages, an Internet-based directory service which generates advertising revenues.

Other services. Other services expected to be provided by the combined company include:

Video services. The combined company will continue to offer a video product under an agency relationship with DISH Network in the areas in which Frontier currently operates and will also seek to offer a satellite video

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product in the Spinco territory under an agency relationship. In each case the combined company will bill the customer for the monthly services and remit those billings to the satellite video provider without recognizing any revenue. The combined company will in turn receive from the satellite video provider and recognize as revenue activation fees, other residual fees and nominal management, billing and collection fees. Additionally, the combined company will continue to offer broadband video services that are similar to FiOS in the states of Indiana, Oregon and Washington.

Wireless services. The combined company will offer wireless data services in select markets. The combined company's wireless data services will utilize technologies that are relatively new, and the combined company will depend to some degree on the representations of equipment vendors, lab testing and the experiences of others who have been successful at deploying these new technologies. Revenue will be recognized when services are provided to customers. Long-term contracts will be billed in advance on an annual or semi-annual basis. End-user subscribers will be billed in advance on a monthly recurring basis and colleges, universities and businesses will be billed on a monthly recurring basis for a fixed number of users. The unearned portion of this revenue will be initially deferred as a component of other liabilities on the combined company's balance sheet and later recognized as revenue over the period that the services are provided. Hourly, daily and weekly casual end-users are billed by credit card at the time of use.

Historically, Frontier and Verizon did not compete in the offering of incumbent local exchange services in their respective service areas, as their incumbent local exchange footprints did not overlap. However, Verizon has historically offered other services in the Spinco territory in addition to those offered by the Spinco business. Following the merger, the combined company will compete with Verizon with respect to the following services, which Verizon has indicated that it will continue to offer in the Spinco territory:

the offering of long distance services;

the offering of products and services to business and government customers other than as the incumbent local exchange carrier, including but not limited to carrier services, data customer premises equipment and software, structured cabling, call center solutions and the products and services formerly offered by MCI, Inc.; and

the offering of wireless voice, wireless data and other wireless services.

The combined company will offer long distance services in the Spinco territory and will compete with Verizon for these services. To the extent that the combined company offers services to businesses and government customers in these states, it will also compete directly with Verizon.

Expenses

The combined company's expenses are expected to be categorized as network access expenses, other operating expenses and depreciation and amortization expenses.

Network Access Expenses. Network access expenses generally comprise of costs associated with the interconnection and routing of traffic to or from customers in the combined company's service territories with territories outside its service markets. Typical examples include costs to provide long distance services and Internet services. Access expenses also include equipment installed at customer locations.

Other Operating Expenses. Other operating expenses include wages, benefits, property taxes, utilities, facilities, marketing, consulting and other direct costs of the business.

Depreciation and Amortization Expenses. Depreciation and amortization expenses include: (i) the estimated periodic charge (depreciation) for the use of property, plant and equipment and (ii) the estimated periodic charge (amortization) associated with acquired intangible assets, primarily customer relationships.

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Because the Spinco business has been operated as a local exchange carrier division of Verizon in the Spinco territory, utilizing certain shared services and resources, and not as a stand-alone communications provider, the historical operating results of Verizon's Separate Telephone Operations for the year ended December 31, 2008 and the six months ended June 30, 2009 include approximately \$749 million and \$434 million, respectively, of expenses for services provided by Verizon and its affiliates, including information systems and information technology, shared assets including office space outside of the Spinco territory, supplemental customer sales and service and operations. The combined company will receive these services from internal operations or from third-party service providers.

Frontier estimates that, by 2013, the combined company's annualized net cost savings will reach approximately \$500 million, which represents approximately 21% of the cash operating expenses of the Spinco business in 2008, from consolidating and internalizing a variety of services through the integration of the Spinco business into Frontier's existing business. However, there can be no assurance that these or any cost savings will actually be achieved. In addition, the combined company will assume post-employment benefits and retirement liabilities with respect to the active employees continuing with Spinco and will also incur operating expenses in connection with these liabilities. See **Risk Factors** **Risks Relating to the Spin-Off and the Merger**. The combined company may not realize the growth opportunities and cost synergies that are anticipated from the merger.

Liquidity and Capital Resources

Frontier anticipates that the combined company's operating cash flows, together with any cash balances and borrowing capacity under its revolving credit facility (or any permitted refinancing or replacement thereof by Frontier), will be adequate to finance the combined company's working capital requirements, fund capital expenditures, make required debt payments, pay taxes, pay dividends to its stockholders in accordance with its dividend policy and support its short-term and long-term operating strategies. However, a number of factors, including but not limited to losses of access lines, increases in competition, lower subsidy and access revenues and the impact of the current economic environment, may reduce the combined company's operating cash flows.

In connection with the spin-off and the merger, the combined company will assume substantial amounts of indebtedness, including the special cash payment financing, the distribution date indebtedness and, if required, the Spinco debt securities. Interest payments on this indebtedness will be a significant use of the combined company's operating cash flows. The amount of interest payments on this indebtedness will depend on the final terms of the special cash payment financing and, if required, the Spinco debt securities, which have not yet been determined. See **Financing of the Combined Company**.

Frontier

Overview

Frontier is a full-service communications provider and one of the largest exchange telephone carriers in the country. On July 31, 2006, Frontier sold its competitive local exchange carrier, referred to as a CLEC, Electric Lightwave, LLC, referred to as ELI. Frontier accounted for ELI as a discontinued operation in its consolidated statements of operations. On March 8, 2007, Frontier completed the acquisition of Commonwealth, which included a small CLEC component. This acquisition expanded Frontier's presence in Pennsylvania and strengthened Frontier's position as a leading full-service communications provider to rural areas and small and medium sized towns and cities. On October 31, 2007, Frontier completed the acquisition of GVN, which expanded its presence in California and also strengthened its rural position. As of June 30, 2009, Frontier operated in 24 states with approximately 5,400 employees.

Competition in the communications industry is intense and increasing. Frontier experiences competition from many communications service providers. These providers include cable operators offering video and VoIP products, wireless carriers, long distance providers, competitive local exchange carriers, Internet providers and

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other wireline carriers. Frontier believes that as of June 30, 2009, approximately 68% of the households in its territories had VoIP as an available service option from cable operators. Frontier also believes that competition will continue to intensify in 2009 and may result in reduced revenues. Frontier's business experienced a decline in access lines and switched access minutes in 2007 and 2008 and in the first six months of 2009 primarily as a result of competition and business downsizing. Frontier also experienced a reduction in revenues for the first six months of 2009 as compared to the same period in 2008, and a reduction in revenues in 2008 compared to 2007.

The recent severe contraction in the global financial markets and ongoing recession is impacting customer behavior to reduce expenditures by not purchasing Frontier's services or by discontinuing some or all of its services. The ongoing recession and downturn in the economy has also affected Frontier's business customers, resulting in a decline in revenues for the first six months of 2009 as compared to the same period in 2008. These trends are likely to continue and may result in a challenging revenue environment. These factors could also result in increased delinquencies and bankruptcies and, therefore, affect Frontier's ability to collect money owed to it by residential and business customers.

Frontier employs a number of strategies to combat the competitive pressures and changes to consumer behavior noted above. Frontier's strategies are focused on customer retention, upgrading and up-selling services to its existing customer base, new customer growth, win backs of former customers, new product deployment, and operating expense and capital expenditure reductions.

Frontier seeks to achieve its customer retention goals by bundling services around the local access line and providing exemplary customer service. Bundled services include high-speed Internet, referred to as HSI, unlimited long distance calling, enhanced telephone features and video offerings. Frontier tailors these services to the needs of its residential and business customers in the markets it serves and continually evaluates the introduction of new and complementary products and services, which can also be purchased separately. Customer retention is also enhanced by offering one-, two- and three-year price protection plans where customers commit to a term in exchange for predictable pricing or promotional offers. Additionally, Frontier is focused on enhancing the customer experience as it believes exceptional customer service will differentiate it from its competition. Its commitment to providing exemplary customer service is demonstrated by the expansion of its customer service hours, shorter scheduling windows for in-home appointments and the implementation of call reminders and follow-up calls for service appointments. In addition, Frontier's 70 local area markets are operated by local managers with responsibility for the customer experience, as well as the financial results, in those markets.

Frontier utilizes targeted and innovative promotions to attract new customers, including those moving into Frontier's territory, win back former customers, upgrade and up-sell existing customers a variety of service offerings including HSI, video, and enhanced long distance and feature packages in order to maximize the average revenue per access line (wallet share) paid to Frontier. Depending upon market and economic conditions, Frontier may offer such promotions to drive sales in the future.

Frontier has restructured and augmented its sales distribution channels to improve coverage of all segments of its commercial customer base. This included adding new sales teams dedicated to small business customers and enhancing the skills in its customer sales and service centers. In addition, Frontier is introducing new products utilizing wireless and Internet technologies. Frontier believes the combination of new products and distribution channel improvements will help Frontier improve commercial customer acquisition and retention efforts.

Frontier is also focused on introducing a number of new products, including unlimited long distance minutes, bundles of long distance minutes, wireless data, Internet portal advertising and the Frontier Peace of Mind product suite. This last category is a suite of products aimed at managing the total communications and personal computing experience for Frontier's customers. The Frontier Peace of Mind products and services are

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designed to provide value and simplicity to meet customers' ever-changing needs. The Frontier Peace of Mind products and services suite includes services such as an in-home, full installation of Frontier's HSI product, two hour appointment windows for the installation, hard drive back-up services, 24-7 help desk PC support and inside wire maintenance. Although Frontier is optimistic about the opportunities provided by each of these initiatives, it can provide no assurance about their long term profitability or impact on revenue.

Frontier believes that the combination of offering multiple products and services to its customers pursuant to price protection programs, billing them on a single bill, providing superior customer service, and being active in Frontier's local communities will make its customers more loyal, and will help it generate new, and retain existing, customer revenue.

Revenues from data and Internet services such as HSI continue to increase as a percentage of Frontier's total revenues and revenues from services such as local line and access charges (including federal and state subsidies) are decreasing as a percentage of its total revenues. Federal and state subsidy revenue, including surcharges billed to customers which are remitted to the FCC, was \$51.7 million for the six months ended June 30, 2009, or 5% of Frontier's revenues, down from \$58.2 million for the six months ended June 30, 2008, or 5% of its revenues. Federal and state subsidy revenue, including surcharges billed to customers which are remitted to the FCC, was \$119.8 million in 2008, or 5% of Frontier's revenues, down from \$130.0 million in 2007, or 6% of its revenues. Frontier expects this trend to continue during the remainder of 2009. The decreasing revenue from traditional sources, along with the potential for increasing operating costs, could cause Frontier's profitability and its cash generated by operations to decrease.

Results of Operations

Three and Six Months Ended June 30, 2009

Revenue

Revenue is generated primarily through the provision of local, network access, long distance, and data and Internet services. Such revenues are generated through either a monthly recurring fee or a fee based on usage at a tariffed rate and revenue recognition is not dependent upon significant judgments by management, with the exception of a determination of a provision for uncollectible amounts.

Revenue for the three months ended June 30, 2009 decreased \$30.4 million, or 5%, as compared with the prior year period. Revenue for the six months ended June 30, 2009 decreased \$61.7 million, or 5%, as compared with the prior year period. This decline during the first half of 2009 is a result of lower local services revenue, switched access revenue, long distance services revenue and subsidy revenue, partially offset by a \$19.3 million, or 6%, increase in data and Internet services revenue, each as described in more detail below.

Change in the number of Frontier's access lines is one factor that is important to Frontier's revenue and profitability. Frontier has lost access lines primarily because of changing consumer behavior (including wireless substitution), economic conditions, changing technology, competition, and by some customers disconnecting second lines when they add HSI or cable modem service. Frontier lost approximately 65,200 access lines (net), including 5,900 second lines, during the six months ended June 30, 2009, but added approximately 33,900 HSI subscribers during this same period. Frontier expects to continue to lose access lines but to increase HSI subscribers and wireless Internet customers during the remainder of 2009 (although not enough to offset access line losses).

While the number of access lines is an important metric to gauge certain revenue trends, it is not necessarily the best or only measure to evaluate Frontier's business. Frontier management believes that understanding different components of revenue is most important. For this reason, presented in the table titled "Other Financial and Operating Data" below is a breakdown that categorizes revenue into customer revenue and regulatory revenue (switched access and subsidy revenue). Despite the decline in access lines, Frontier's customer revenue,

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which is all revenue except switched access and subsidy revenue, has declined in the second quarter and first six months of 2009 by less than 3 percent as compared to the prior year periods. The average monthly customer revenue per access line has improved and resulted in an increased wallet share, primarily from residential customers. A substantial further loss of access lines, combined with increased competition and the other factors discussed herein, may cause Frontier's revenue, profitability and cash flows to decrease in 2009.

The financial tables below include a comparative analysis of Frontier's results of operations on a historical basis for the three and six months ended June 30, 2009 and 2008.

REVENUE

(\$ in thousands)	For the three months ended June 30,				For the six months ended June 30,			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Local services	\$ 198,296	\$ 214,703	\$ (16,407)	-8%	\$ 399,192	\$ 431,861	\$ (32,669)	-8%
Data and Internet services	160,551	151,655	8,896	6%	316,944	297,637	19,307	6%
Access services	87,427	101,003	(13,576)	-13%	177,492	208,821	(31,329)	-15%
Long distance services	40,560	46,912	(6,352)	-14%	81,972	93,365	(11,393)	-12%
Directory services	27,211	29,070	(1,859)	-6%	54,916	57,698	(2,782)	-5%
Other	18,097	19,207	(1,110)	-6%	39,582	42,373	(2,791)	-7%
	\$ 532,142	\$ 562,550	\$ (30,408)	-5%	\$ 1,070,098	\$ 1,131,755	\$ (61,657)	-5%

Local Services

Local services revenue for the three months ended June 30, 2009 decreased \$16.4 million, or 8%, to \$198.3 million, as compared with the three months ended June 30, 2008. The loss of access lines accounted for \$12.2 million of the decline in local services revenue.

Local services revenue for the six months ended June 30, 2009 decreased \$32.7 million, or 8%, to \$399.2 million, as compared with the six months ended June 30, 2008, primarily due to the continued loss of access lines which accounted for \$23.8 million of the decline and a reduction in all other related services of \$8.9 million. Enhanced services revenue in the first six months of 2009 decreased \$7.0 million, as compared with the first six months of 2008, primarily due to a decline in access lines and a shift in customers purchasing Frontier's unlimited voice communications packages with features included in the bundle instead of purchasing individual features.

Economic conditions and/or increasing competition could make it more difficult for Frontier to sell its packages and bundles, and cause Frontier to increase its promotions and/or lower its prices for those products and services, which would adversely affect its revenue, profitability and cash flow.

Data and Internet Services

Data and Internet services revenue for the three months ended June 30, 2009 increased \$8.9 million, or 6%, to \$160.6 million, as compared with the three months ended June 30, 2008, primarily due to growth in data and HSI services.

Data and Internet services revenue for the six months ended June 30, 2009 increased \$19.3 million, or 6%, to \$316.9 million, as compared with the six months ended June 30, 2008, primarily due to the overall growth in the number of data and HSI customers. As of June 30, 2009, the number of Frontier's HSI subscribers had increased by approximately 54,500, or 10%, since June 30, 2008. Data and Internet services also include revenue from data transmission services to other carriers and high-volume commercial customers with dedicated high-capacity Internet and ethernet circuits. Revenue from these dedicated high-capacity circuits increased \$6.1 million in 2009, as compared with 2008, primarily due to growth in the number of those circuits.

In February 2009, President Obama signed into law an economic stimulus package that includes \$7.2 billion in funding, through grants and loans, for new broadband investment and adoption in unserved and underserved communities. The federal agencies responsible for administering the programs released rules and evaluation

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criteria for the first round of funding on July 9, 2009. Frontier has submitted applications for \$55 million of such funding for use in the state of West Virginia to expand broadband availability. If granted, Frontier would be required to spend \$14 million in matching funds.

Access Services

Access services revenue for the three months ended June 30, 2009 decreased \$13.6 million, or 13%, to \$87.4 million, as compared with the three months ended June 30, 2008. Switched access revenue in the three months ended June 30, 2009 of \$63.1 million decreased \$9.6 million, or 13%, as compared with the three months ended June 30, 2008, primarily due to the impact of a decline in minutes of use related to access line losses and the displacement of minutes of use by wireless, e-mail and other communications services. Access services revenue includes subsidy payments Frontier receives from federal and state agencies, including surcharges billed to customers which are remitted to the FCC. Subsidy revenue, including surcharges billed to customers, for the three months ended June 30, 2009 of \$24.3 million decreased \$4.0 million, or 14%, as compared with the three months ended June 30, 2008, primarily due to lower receipts under the Federal High Cost Fund program resulting from Frontier's reduced cost structure and an increase in the program's National Average Cost per Local Loop, referred to as the NACPL, used by the FCC to allocate funds among all recipients.

Access services revenue for the six months ended June 30, 2009 decreased \$31.3 million, or 15%, to \$177.5 million, as compared with the six months ended June 30, 2008. Switched access revenue in the six months ended June 30, 2009 of \$125.8 million decreased \$24.9 million, or 17%, as compared with the six months ended June 30, 2008, primarily due to the impact of a decline in minutes of use related to access line losses and the displacement of minutes of use by wireless, e-mail and other communications services. Reserves established for disputed access charges also impacted access revenues in 2009 compared to 2008. Subsidy revenue, including surcharges billed to customers, for the six months ended June 30, 2009 of \$51.7 million decreased \$6.4 million, or 11%, as compared with the six months ended June 30, 2008, primarily due to lower receipts under the Federal High Cost Fund program resulting from Frontier's reduced cost structure and an increase in the program's NACPL.

Many factors may lead to further increases in the NACPL, thereby resulting in decreases in Frontier's federal subsidy revenue in the future. The FCC and state regulatory agencies are currently considering a number of proposals for changing the manner in which eligibility for federal subsidies is determined as well as the amounts of such subsidies. On May 1, 2008, the FCC issued an order to cap CETC receipts from the high cost USF.

The FCC is considering proposals that may significantly change interstate, intrastate and local intercarrier compensation and would revise the USF funding and disbursement mechanisms. When and how these proposed changes will be addressed are unknown and, accordingly, Frontier is unable to predict the impact of future changes on its results of operations. However, future reductions in Frontier's subsidy and access revenues will directly affect Frontier's profitability and cash flows as those regulatory revenues do not have associated variable expenses.

Certain states have open proceedings to address reform to intrastate access charges and other intercarrier compensation. Frontier cannot predict when or how these matters will be decided or the effect on Frontier's subsidy or access revenues. In addition, Frontier has been approached by, and/or is involved in formal state proceedings with, various carriers seeking reductions in intrastate access rates in certain states.

Long Distance Services

Long distance services revenue for the three months ended June 30, 2009 decreased \$6.4 million, or 14%, to \$40.6 million, as compared with the three months ended June 30, 2008.

Long distance services revenue for the six months ended June 30, 2009 decreased \$11.4 million, or 12%, to \$82.0 million, as compared with the six months ended June 30, 2008. Frontier's long distance services revenue is trending downward due to a reduction in the overall average revenue per minute of use. Frontier has actively

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Average monthly total revenue per access line	\$ 80.52	\$ 79.34	2%	\$ 80.33	\$ 79.08	2%
Average monthly customer revenue per access line	\$ 67.29	\$ 65.10	3%	\$ 67.01	\$ 64.49	4%

Table of ContentsExpenses**OPERATING EXPENSES**

NETWORK ACCESS EXPENSES

(\$ in thousands)	For the three months ended June 30,				For the six months ended June 30,			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Network access	\$ 59,203	\$ 53,998	\$ 5,205	10%	\$ 119,887	\$ 114,547	\$ 5,340	5%

Network access expenses for the three months ended June 30, 2009 increased \$5.2 million, or 10%, to \$59.2 million, as compared with the three months ended June 30, 2008, primarily due to higher long distance carriage costs and costs for new personal computers, as described in more detail below.

Network access expenses for the six months ended June 30, 2009 increased \$5.3 million, or 5%, to \$119.9 million, as compared with the six months ended June 30, 2008. In the first half of 2009, Frontier expensed \$9.9 million for the cost of new personal computers provided to customers in connection with its Rolling Thunder promotion which resulted in additional DISH video and HSI subscribers. The first half of 2008 included costs of \$3.0 million associated with HSI promotions that subsidized the cost of a flat screen television provided to customers.

As Frontier continues to increase its sales of data products such as HSI and expand the availability of its unlimited long distance calling plans, Frontier's network access expense may increase in the future. A decline in expenses associated with access line losses has offset some of the increase.

OTHER OPERATING EXPENSES

(\$ in thousands)	For the three months ended June 30,				For the six months ended June 30,			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Wage and benefit expenses	\$ 86,206	\$ 95,847	\$ (9,641)	-10%	\$ 179,073	\$ 196,523	\$ (17,450)	-9%
Pension costs	8,208	(530)	8,738	NM	16,454	(1,060)	17,514	NM
Severance and early retirement costs	11	480	(469)	-98%	2,567	3,371	(804)	-24%
Stock based compensation	2,439	3,145	(706)	-22%	4,561	6,164	(1,603)	-26%
All other operating expenses	95,890	103,391	(7,501)	-7%	190,303	200,599	(10,296)	-5%
	\$ 192,754	\$ 202,333	\$ (9,579)	-5%	\$ 392,958	\$ 405,597	\$ (12,639)	-3%

Wage and benefit expenses

Wage and benefit expenses for the three months ended June 30, 2009 decreased \$9.6 million, or 10%, to \$86.2 million, as compared to the three months ended June 30, 2008. Wage and benefit expenses for the six months ended June 30, 2009 decreased \$17.5 million, or 9%, to \$179.1 million, as compared to the six months ended June 30, 2008, primarily due to headcount reductions and associated decreases in compensation and benefit expenses.

Pension costs

The decline in the value of Frontier's pension plan assets during 2008 has resulted in an increase in its pension expense in 2009. Pension costs for the three months ended June 30, 2009 and 2008 were approximately

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\$8.2 million and \$(0.5) million, respectively. The second quarter of 2009 pension costs represent an increase of \$8.7 million over the prior year period. Pension costs include pension expense of \$10.2 million and \$(0.7) million, less amounts capitalized into the cost of capital expenditures of \$2.0 million and \$(0.2) million for the three months ended June 30, 2009 and 2008, respectively.

Pension costs for the six months ended June 30, 2009 and 2008 were approximately \$16.5 million and \$(1.1) million, respectively. The first six months of 2009 pension costs represent an increase of \$17.5 million over the prior year period. Pension costs include pension expense of \$20.4 million and \$(1.3) million, less amounts capitalized into the cost of capital expenditures of \$3.9 million and \$(0.2) million for the six months ended June 30, 2009 and 2008, respectively.

Frontier's pension plan assets have declined from \$589.8 million at December 31, 2008 to \$578.1 million at June 30, 2009, a decrease of \$11.7 million, or 2%. This decrease is a result of ongoing benefit payments of \$26.6 million, partially offset by positive investment returns of \$14.9 million during the first six months of 2009.

Based on current assumptions and plan asset values, Frontier estimates that its 2009 pension and other postretirement benefit expenses (which were \$11.2 million in 2008) will be approximately \$50.0 million to \$55.0 million. No contributions are expected to be made by Frontier to its pension plan until 2011, although pension asset volatility could require Frontier to make a contribution in 2010, at the earliest.

Severance and early retirement costs

Severance and early retirement costs for the three months ended June 30, 2009 decreased \$0.5 million as compared with the prior year period.

Severance and early retirement costs for the six months ended June 30, 2009 decreased \$0.8 million to \$2.6 million as compared with the prior year period, primarily due to charges recorded in the first half of 2008 related to employee early retirements and terminations.

Stock based compensation

Stock based compensation for the three months ended June 30, 2009 decreased \$0.7 million, or 22%, to \$2.4 million as compared with the prior year period, primarily due to costs recorded in 2008 for a long-term incentive program that is no longer in effect.

Stock based compensation for the six months ended June 30, 2009 decreased \$1.6 million, or 26%, to \$4.6 million as compared with the prior year period, due to costs recorded in 2008 for a long-term incentive program that is no longer in effect and reduced costs associated with stock units, partially offset by increased costs for unvested restricted stock awards.

All other operating expenses

All other operating expenses for the three months ended June 30, 2009 decreased \$7.5 million, or 7%, to \$95.9 million, as compared with the three months ended June 30, 2008. All other operating expenses for the six months ended June 30, 2009 decreased \$10.3 million, or 5%, to \$190.3 million, as compared to the six months ended June 30, 2008, due to reduced costs for consulting fees and other outside services, partially offset by higher marketing expenses.

Table of Contents**DEPRECIATION AND AMORTIZATION EXPENSE**

(\$ in thousands)	For the three months ended June 30,				For the six months ended June 30,			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Depreciation expense	\$ 91,430	\$ 98,367	\$ (6,937)	-7%	\$ 184,318	\$ 193,512	\$ (9,194)	-5%
Amortization expense	41,388	45,883	(4,495)	-10%	86,058	91,818	(5,760)	-6%
	\$ 132,818	\$ 144,250	\$ (11,432)	-8%	\$ 270,376	\$ 285,330	\$ (14,954)	-5%

Depreciation and amortization expense for the three months ended June 30, 2009 decreased \$11.4 million, or 8%, to \$132.8 million, as compared to the three months ended June 30, 2008. Depreciation and amortization expense for the six months ended June 30, 2009 decreased \$15.0 million, or 5%, to \$270.4 million, as compared to the six months ended June 30, 2008, primarily due to reduced amortization expense, as discussed below, and a declining net asset base, partially offset by changes in the remaining useful lives of certain assets. An independent study updating the estimated remaining useful lives of Frontier's plant assets is performed annually. Frontier adopted the remaining useful lives proposed in the last study effective October 1, 2008. Frontier's composite depreciation rate increased from 5.5% to 5.6% as a result of the study. Frontier anticipates depreciation expense of approximately \$350.0 million to \$370.0 million and amortization expense of approximately \$115.0 million for 2009. Amortization expense for the six months ended June 30, 2009 is comprised of \$57.9 million for amortization associated with Frontier's legacy properties, which were fully amortized in June 2009, and \$28.2 million for intangible assets (customer base and trade name) that were acquired in the Commonwealth and GVN acquisitions.

ACQUISITION RELATED COSTS

(\$ in thousands)	For the three months ended June 30,				For the six months ended June 30,			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Acquisition related costs	\$ 10,751	\$ 10,751	\$ 0	100%	\$ 10,751	\$ 10,751	\$ 0	100%

Acquisition related costs primarily represent fees paid to Frontier's advisers for services rendered in connection with the pending transactions. Frontier expects to incur acquisition costs of approximately \$35.0 million in 2009 related to the pending transactions.

INVESTMENT AND OTHER INCOME, NET / INTEREST EXPENSE /**INCOME TAX EXPENSE**

(\$ in thousands)	For the three months ended June 30,				For the six months ended June 30,			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Investment and other income, net	\$ 4,618	\$ 6,841	\$ (2,223)	-32%	\$ 12,865	\$ 5,934	\$ 6,931	117%
Interest expense	98,670	90,710	7,960	9%	187,419	181,570	5,849	3%
Income tax expense	14,254	21,874	(7,620)	-35%	36,307	48,502	(12,195)	-25%
Income attributable to the noncontrolling interest in a partnership	392	448	(56)	-13%	1,044	776	268	35%
<i>Investment and other income, net</i>								

Investment and other income, net for the three months ended June 30, 2009 decreased \$2.2 million, or 32%, to \$4.6 million, as compared with the three months ended June 30, 2008, primarily due to a decline of \$2.9 million in income recognized on the termination of construction advances, reduced equity earnings of \$2.5 million and \$0.5 million in lower income from short-term investments of cash, partially offset by an increase of \$3.6 million in gain on debt repurchases.

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Investment and other income, net for the six months ended June 30, 2009 improved \$6.9 million, or 117%, as compared with the six months ended June 30, 2008, primarily due to the loss on retirement of debt of \$6.3 million recognized during the first quarter of 2008, combined with litigation settlement proceeds of \$2.2 million and gain on debt repurchases of \$3.7 million in 2009. These improvements were partially offset by reduced equity earnings of \$2.3 million and a decrease of \$2.3 million in income from short-term investments of cash and cash equivalents due to lower interest rates in 2009.

Frontier's average cash balance was \$265.1 million and \$211.0 million for the six months ended June 30, 2009 and 2008, respectively.

Interest expense

Interest expense for the three months ended June 30, 2009 increased \$8.0 million, or 9%, to \$98.7 million, as compared with the three months ended June 30, 2008, primarily due to higher average debt levels and interest rates in 2009. Frontier's average debt outstanding was \$4,875.2 million and \$4,757.9 million for the three months ended June 30, 2009 and 2008, respectively. Frontier's debt levels have risen due to its \$600 million debt offering on April 9, 2009. Frontier intends to use the net proceeds from the offering to reduce, repurchase, or refinance its indebtedness or for general corporate purposes. During the second quarter of 2009, Frontier used \$308.0 million of the proceeds to retire \$311.7 million principal amount of debt, including \$255.7 million of debt maturing in 2011. Excess proceeds from this offering are invested in cash equivalents.

Interest expense for the six months ended June 30, 2009 increased \$5.8 million, or 3%, to \$187.4 million, as compared with the six months ended June 30, 2008, primarily due to higher average debt levels and interest rates in 2009, as discussed above. Frontier's average debt outstanding was \$4,827.6 million and \$4,758.8 million for the six months ended June 30, 2009 and 2008, respectively. Frontier's composite average borrowing rate as of June 30, 2009 as compared with the prior year was 24 basis points higher, increasing from 7.63% to 7.87%.

Income tax expense

Income tax expense for the three and six months ended June 30, 2009 decreased \$7.6 million, or 35%, to \$14.3 million, and \$12.2 million, or 25%, to \$36.3 million, respectively, as compared with the three and six months ended June 30, 2008, primarily due to lower taxable income. The second quarter of 2008 includes a reduction in income tax expense of \$7.5 million that resulted from the expiration of certain statute of limitations on April 15, 2008. The effective tax rate for the first six months of 2009 and 2008 was 35.7% and 32.2%, respectively. Frontier's cash taxes paid for the six months ended June 30, 2009 were \$40.5 million, a decrease of \$9.1 million from the first six months of 2008. Frontier expects to pay approximately \$90.0 million to \$100.0 million for the full year of 2009. Frontier's 2009 cash tax estimate reflects the anticipated favorable impact of bonus depreciation that is part of the economic stimulus package signed into law by President Obama.

There were no material changes to the liabilities on Frontier's books as of December 31, 2008 related to uncertain tax positions recorded under FASB Interpretation No. (FIN) 48 (ASC Topic 740) for the six months ended June 30, 2009.

Fiscal Year Ended December 31, 2008

Frontier's historical results include the results of operations of CTE from the date of its acquisition on March 8, 2007 and of GVN from the date of its acquisition on October 31, 2007. Accordingly, results of operations for 2008, 2007 and 2006 are not directly comparable as 2008 results reflect the inclusion of a full year of operations of CTE and GVN, whereas 2007 results reflect the inclusion of approximately ten months of operations of CTE and of two months of operations of GVN and 2006 results do not reflect the results of operations of CTE or GVN.

Table of Contents**Revenue**

Consolidated revenue for 2008 decreased \$51.0 million, or 2%, to \$2,237.0 million as compared to 2007. Excluding additional revenue attributable to the CTE and GVN acquisitions for a full year in 2008 and for a partial period in 2007, Frontier's revenue decreased \$107.3 million during 2008, or 5%, as compared to 2007. During the first quarter of 2007, Frontier had a significant favorable settlement of a carrier dispute that resulted in a favorable one-time impact to its revenue of \$38.7 million. Excluding the additional revenue due to the one-time favorable settlement in the first quarter of 2007 and the additional revenue attributable to the CTE and GVN acquisitions in 2008 and 2007, Frontier's revenue for the year ended December 31, 2008 declined \$68.6 million, or 3%, as compared to the prior year. This decline is a result of lower local services revenue, subsidy revenue and switched access revenue, partially offset by a \$37.3 million, or 8%, increase in data and Internet services revenue.

Consolidated revenue for 2007 increased \$262.6 million, or 13%, to \$2,288.0 million as compared to 2006. Excluding the additional revenue attributable to the CTE and GVN acquisitions in 2007, and the one-time favorable settlement as referenced above in 2007, Frontier's revenue for 2007 was \$1,982.7 million, a decrease of \$42.7 million, or 2%, as compared to 2006, primarily resulting from a reduction of \$39.9 million in subsidies received from federal and state funds.

Frontier lost approximately 174,800 access lines (net), including 22,200 second lines, during 2008, but added approximately 57,100 HSI subscribers (net) during this same period. Despite the decline in access lines, Frontier's customer revenue also improved by more than 1.3 percent in 2008 versus 2007. Presented in the table titled "Other Financial and Operating Data" below is a breakdown that categorizes revenue into customer service revenue and regulatory revenue (switched and subsidy revenue).

Frontier's historical results include the results of operations of CTE from the date of its acquisition on March 8, 2007 and of GVN from the date of its acquisition on October 31, 2007. The financial tables below include a comparative analysis of Frontier's results of operations on a historical basis for 2008, 2007 and 2006. Frontier has also presented an analysis of each category for 2007 for the results of Frontier (excluding CTE and GVN) and the results of its acquisitions: CTE from March 8, 2007 through December 31, 2007, and the results of GVN for the last two months of 2007, as included in the consolidated results of operations. The figures in each of the charts in this section for 2007 relate to Frontier legacy properties (excluding CTE and GVN).

REVENUE

(\$ in thousands)	2008			2007 Frontier (excluding CTE and GVN)			2006		
	Amount	\$ Change	% Change	Amount	Acquisitions	\$ Change	% Change	Amount	
Local services	\$ 848,393	\$ (27,369)	-3%	\$ 875,762	\$ 95,197	\$ 780,565	\$ (29,019)	\$ 809,584	
Data and Internet services	605,615	61,851	11%	543,764	58,934	484,830	60,621	424,209	
Access services	404,713	(74,749)	-16%	479,462	70,235	409,227	(18,732)	427,959	
Long distance services	182,559	2,034	1%	180,525	27,070	153,455	183	153,272	
Directory services	113,347	(1,239)	-1%	114,586	1,264	113,322	(816)	114,138	
Other	82,391	(11,525)	-12%	93,916	13,908	80,008	(16,197)	96,205	
	\$ 2,237,018	\$ (50,997)	-2%	\$ 2,288,015	\$ 266,608	\$ 2,021,407	\$ (3,960)	\$ 2,025,367	

Local Services

Local services revenue for 2008 decreased \$27.4 million, or 3%, to \$848.4 million as compared to 2007. Excluding the additional local services revenue attributable to the CTE and GVN acquisitions for 2008 and 2007, local services revenue for 2008 decreased \$47.8 million, or 6%, as compared to 2007, primarily due to the

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continued loss of access lines which accounted for \$40.4 million of the decline and a reduction in all other related services of \$7.4 million. Enhanced services revenue for 2008, excluding the impact of the CTE and GVN acquisitions for 2008 and 2007, decreased \$5.6 million, or 3%, as compared to 2007, primarily due to a decline in access lines and a shift in customers purchasing Frontier's unlimited voice communications packages instead of individual features. Rate increases that were effective August 2007 resulted in a favorable 2008 impact of \$3.0 million.

Local services revenue for 2007 increased \$66.2 million, or 8%, to \$875.8 million as compared to 2006. Excluding the additional local services revenue attributable to the CTE and GVN acquisitions of \$95.2 million in 2007, local services revenue for 2007 decreased \$29.0 million, or 4%, to \$780.6 million as compared to 2006. The loss of access lines accounted for \$28.7 million of this decline in local services revenue, partially offset by rate increases in Rochester, New York on residential lines that became effective August 2006 and 2007.

Data and Internet Services

Data and Internet services revenue for 2008 increased \$61.9 million, or 11%, to \$605.6 million as compared to 2007. Data and Internet services revenue for 2008, excluding the additional data and Internet services revenue attributable to the CTE and GVN acquisitions for 2008 and 2007 increased \$37.3 million, or 8%, as compared to 2007, primarily due to the overall growth in the number of data and HSI customers. As of December 31, 2008, the number of Frontier's HSI subscribers increased by approximately 57,100, or 11%, since December 31, 2007. Revenue from dedicated high-capacity circuits, including the impact of \$10.5 million attributable to the CTE and GVN acquisitions, increased \$26.9 million in 2008, as compared to 2007, primarily due to growth in the number of those circuits.

Data and Internet services revenue for 2007 increased \$119.6 million, or 28%, to \$543.8 million as compared to 2006. Excluding the additional data and Internet services revenue attributable to the CTE and GVN acquisitions for 2007, data and Internet services revenue for 2007 increased \$60.6 million, or 14%, as compared to 2006, primarily due to growth in the number of data and HSI customers. As of December 31, 2007, the number of Frontier's HSI subscribers increased by approximately 66,700, or 17%, since December 31, 2006. Revenue from dedicated high-capacity circuits increased \$19.8 million in 2007, primarily due to growth in the number of those circuits.

Access Services

Access services revenue for 2008 decreased \$74.7 million, or 16%, to \$404.7 million as compared to 2007. Excluding the additional access services revenue attributable to the CTE and GVN acquisitions for 2008 and 2007, access services revenue for 2008 decreased \$77.3 million, or 19%, as compared to 2007, for Frontier's legacy operations. Switched access revenue for 2008, excluding the unfavorable impact of the CTE and GVN acquisitions, decreased \$56.8 million, or 20%, as compared to 2007, primarily due to the settlement of a carrier dispute resulting in a favorable impact on Frontier's 2007 revenue of \$38.7 million (a one-time event), and the impact of a decline in minutes of use related to access line losses and the displacement of minutes of use by wireless, e-mail and other communications services. Excluding the impact of that one-time favorable settlement in 2007, Frontier's switched access revenue for 2008 declined by \$18.1 million, or 7% from 2007. Subsidy revenue for 2008, excluding the additional subsidy revenue attributable to the CTE and GVN acquisitions in 2008 and 2007, decreased \$20.6 million, or 16%, in 2008 to \$104.1 million, as compared to 2007, primarily due to lower receipts under the Federal High Cost Loop Fund program resulting from Frontier's reduced cost structure and an increase in the program's NACPL used by the FCC to allocate funds among all recipients. Subsidy revenue in 2008 was also negatively impacted by \$2.5 million in unfavorable adjustments resulting from audits of the Federal High Cost Fund program.

Access services revenue for 2007 increased \$51.5 million, or 12%, to \$479.5 million as compared to 2006. Excluding the additional access services revenue attributable to the CTE and GVN acquisitions of \$70.2 million

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in 2007, access services revenue for 2007 decreased \$18.7 million, or 4%, as compared to 2006. Switched access revenue of \$284.6 million increased \$21.2 million, or 8%, as compared to 2006, primarily due to the settlement in the first quarter of 2007 of a dispute with a carrier resulting in a favorable impact on Frontier's revenue in 2007 of \$38.7 million (a one-time event), partially offset by the impact of a decline in minutes of use related to access line losses. Subsidy revenue for 2007 of \$124.7 million decreased \$39.9 million, or 24%, as compared to 2006, primarily due to lower receipts under the Federal High Cost Loop Fund program resulting from Frontier's reduced cost structure and an increase in the program's NACPL. In addition, in 2007, revenue from USF surcharges was reduced due to the elimination of HSI units from the USF calculation. Frontier's expenses in 2007 related to USF contributions also was reduced due to the same factors that led to the surcharge reduction.

Long Distance Services

Long distance services revenue for 2008 increased \$2.0 million, or 1%, to \$182.6 million as compared to 2007. Excluding the additional long distance services revenue attributable to CTE and GVN acquisitions, long distance services revenue in 2008 decreased \$3.8 million, or 2%, as compared to 2007.

Long distance services revenue for 2007 increased \$27.3 million, or 18%, to \$180.5 million as compared to 2006. Excluding the additional long distance services revenue attributable to the CTE and GVN acquisitions of \$27.1 million in 2007, long distance services revenue for 2007 was relatively unchanged as compared to 2006, despite an increase of 13% in Frontier's long distance minutes of use due to more customers selecting Frontier's unlimited minutes of use package.

Frontier's long distance minutes of use increased during 2008 and 2007, as compared with the prior years and, as noted below in network access expenses, has increased Frontier's cost of services provided. At the same time, average revenue per minute of use has declined.

Directory Services

Directory services revenue for 2008 decreased \$1.2 million, or 1%, to \$113.3 million as compared to 2007. Excluding the additional directory services revenue attributable to the CTE and GVN acquisitions in 2008 and 2007, directory services revenue for 2008 decreased \$4.0 million, or 4%, as compared to 2007. Directory services revenue in 2008 reflected lower revenues from yellow pages advertising, mainly in Rochester, New York.

Directory services revenue for 2007 increased \$0.4 million to \$114.6 million as compared to 2006. Excluding the additional directory services revenue attributable to the CTE and GVN acquisitions of \$1.3 million in 2007, directory services revenue for 2007 decreased \$0.8 million, or 1%, as compared to 2006, reflecting slightly lower revenues from yellow pages advertising, mainly in Rochester, New York.

Other

Other revenue for 2008 decreased \$11.5 million, or 12%, to \$82.4 million as compared to 2007. Other revenue was impacted by a decrease in equipment sales of \$7.0 million, a decrease in service activation fee revenue of \$3.3 million and decreased bill and collect fee revenue of \$3.2 million, partially offset by higher DISH video revenue of \$3.3 million.

Other revenue for 2007 decreased \$2.3 million, or 2%, to \$93.9 million as compared to 2006. Excluding the additional other revenue attributable to the CTE and GVN acquisitions of \$13.9 million in 2007, other revenue for 2007 decreased \$16.2 million, or 17%, as compared to 2006, primarily due to a \$9.9 million increase in bad debt expense, the impact of a \$3.4 million reduction in revenue for Frontier's free video promotions with a multi-year customer commitment in some of Frontier's markets, a decrease in service activation billing of \$2.5 million and a decrease of \$1.8 million in wireless revenue from the Mohave Cellular Limited Partnership.

Table of Contents**OTHER FINANCIAL AND OPERATING DATA**

	As of December 31, 2008	% Change	As of December 31, 2007	% Change	As of December 31, 2006
Access lines:					
Residential	1,454,268	-8%	1,587,930	8%	1,476,802
Business	800,065	-5%	841,212	29%	649,772
Total access lines	2,254,333	-7%	2,429,142	14%	2,126,574
HSI subscribers	579,943	11%	522,845	33%	393,184
Video subscribers	119,919	28%	93,596	49%	62,851
			For the year ended December 31,		
			%		
(\$ in thousands)	2008	\$ Change	Change	2007	% Change
Revenue:					
Residential	\$ 944,786	\$ (13,667)	-1%	\$ 958,453	
Business	887,519	37,419	4%	850,100	
Total customer revenue	1,832,305	23,752	1%	1,808,553	
Regulatory (Access Services)	404,713	(74,749)	-16%	479,462	
Total revenue	\$ 2,237,018	\$ (50,997)	-2%	\$ 2,288,015	
Switched access minutes of use (in millions)	10,027		-5%	10,592	4%
Average monthly total revenue per access line	\$ 83.05 ⁽¹⁾		4%	\$ 79.94 ⁽²⁾	3%
Average monthly customer revenue per access line	\$ 68.65 ⁽¹⁾		6%	\$ 65.00 ⁽¹⁾	

(1) For the years ended December 31, 2008 and 2007, the calculations exclude CTE and GVN data.

(2) For the year ended December 31, 2007, the calculation excludes CTE and GVN data and excludes the \$38.7 million favorable one-time impact from the first quarter 2007 settlement of a switched access dispute. The amount is \$81.50 with the \$38.7 million favorable one-time impact from the settlement.

Expenses**OPERATING EXPENSES****NETWORK ACCESS EXPENSES**

	2008			2007			2006		
(\$ in thousands)	Amount	\$ Change	% Change	Amount	Acquisitions	Frontier (excluding CTE and GVN)	\$ Change	% Change	Amount
Network access	\$ 222,013	\$ (6,229)	-3%	\$ 228,242	\$ 35,781	\$ 192,461	\$ 21,214	12%	\$ 171,247

Network access

Consolidated network access expenses for 2008 decreased \$6.2 million, or 3%, to \$222.0 million as compared to 2007 primarily due to decreasing rates resulting from more efficient circuit routing for Frontier's long distance and data products. Excluding the additional network access expenses attributable to the CTE and GVN acquisitions for 2008 and 2007, network access expenses decreased \$15.1 million, or 8%, in 2008 as compared to 2007. Excluding the additional network access expenses attributable to the CTE and GVN acquisitions of \$35.8 million in 2007, network access expenses for 2007 increased \$21.2 million, or 12%, as compared to 2006, primarily due to increasing rates and usage related to Frontier's long distance product and its data backbone.

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In the fourth quarter of 2008, Frontier expensed \$4.2 million of promotional costs for Master Card gift cards issued to new HSI customers entering into a two-year price protection plan and to existing customers who purchased additional services under a two-year price protection plan. In the first quarter of 2008, Frontier expensed \$2.6 million for a flat screen television promotion. Additionally, in the fourth quarters of 2007 and 2006, Frontier expensed \$11.4 million and \$9.7 million, respectively, of promotional costs associated with fourth quarter HSI promotions that subsidized the cost of a new personal computer or a new digital camera in 2007, and a new personal computer in 2006, provided to customers entering into a multi-year commitment for certain bundled services.

OTHER OPERATING EXPENSES

(\$ in thousands)	2008			2007			2006		
	Amount	\$ Change	% Change	Amount	Acquisitions	Frontier (excluding CTE and GVN)	\$ Change	% Change	Amount
Wage and benefit expenses	\$ 383,887	\$ 2,561	1%	\$ 381,326	\$ 28,907	\$ 352,419	\$ (6,408)	-2%	\$ 358,827
Severance and early retirement costs	7,598	(6,276)	-45%	13,874		13,874	6,681	93%	7,193
Stock based compensation	7,788	(1,234)	-14%	9,022		9,022	(1,318)	-13%	10,340
All other operating expenses	411,475	7,196	2%	404,279	72,086 ⁽¹⁾	332,193	(24,590)	-7%	356,783
	\$ 810,748	\$ 2,247	0%	\$ 808,501	\$ 100,993	\$ 707,508	\$ (25,635)	-3%	\$ 733,143

(1) Includes \$33.0 million of common corporate costs allocated to CTE operations during 2007.

Consolidated other operating expenses for 2008 increased \$2.2 million, to \$810.7 million as compared to 2007, primarily the result of Frontier's CTE and GVN acquisitions which was largely offset by synergies and cost reductions relating to the legacy Frontier operations.

Wage and benefit expenses

Wage and benefit expenses for 2008 increased \$2.6 million, or 1%, to \$383.9 million as compared to 2007. Wage and benefit expenses attributable to the CTE and GVN acquisitions increased \$10.2 million, or 35%, in 2008 versus 2007, primarily due to the pension curtailment gain of \$14.4 million recognized in 2007, as discussed below. These additional costs were offset by a decrease of \$7.6 million primarily due to headcount reductions and associated decreases in compensation and benefit costs attributable to the integration of the back office, customer service and administrative support functions of the CTE and GVN operations acquired in 2007.

Wage and benefit expenses for 2007 increased \$22.5 million, or 6%, to \$381.3 million as compared to 2006. Excluding the additional wage and benefit expenses attributable to the CTE and GVN acquisitions of \$28.9 million in 2007, wage and benefit expenses for 2007 decreased \$6.4 million, or 2%, as compared to 2006, primarily due to headcount reductions and associated decreases in compensation and benefit costs.

Included in Frontier's wage and benefit expenses are pension and other postretirement benefit expenses. The amounts for 2007 include the costs for Frontier's CTE plans acquired in 2007 and reflect the positive impact of a pension curtailment gain of \$14.4 million, resulting from the freeze placed on certain pension benefits of the former CTE non-union employees. No contribution was made to Frontier's pension plan during 2008 and none is expected to be made in 2009. Also, effective December 31, 2007, the CTE Employees' Pension Plan was merged into the Frontier Pension Plan.

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As a result of negative investment returns and ongoing benefit payments, Frontier's pension plan assets have declined from \$822.2 million at December 31, 2007 to \$589.8 million at December 31, 2008, a decrease of \$232.4 million, or 28%. This decrease represents a decline in asset value of \$162.9 million, or 20%, and benefits paid of \$69.5 million, or 8%. The decline in pension plan assets did not impact Frontier's results of operations, liquidity or cash flows in 2008.

Severance and early retirement costs

Severance and early retirement costs for 2008 decreased \$6.3 million, or 45%, as compared to 2007. Severance and early retirement costs of \$7.6 million in 2008 include charges recorded in the first half of 2008 of \$3.4 million related to employee early retirements and terminations for 42 Rochester, New York employees. Additional severance costs of \$4.0 million were recorded in the fourth quarter of 2008, including \$1.7 million of enhanced early retirement pension benefits related to 55 employees.

Severance and early retirement costs of \$13.9 million in 2007 include a third quarter charge of approximately \$12.1 million related to initiatives to enhance customer service, streamline operations and reduce costs. Approximately 120 positions were eliminated as part of this 2007 initiative, most of which were filled by new employees at Frontier's remaining call centers. In addition, approximately 50 field operations employees agreed to participate in an early retirement program and another 30 employees from a variety of functions left Frontier in 2007.

Severance and early retirement costs for 2007 increased \$6.7 million, or 93%, as compared to 2006, primarily due to the 2007 charge of approximately \$12.1 million related to initiatives to enhance customer service, streamline operations and reduce costs, as discussed above.

Stock based compensation

Stock based compensation for 2008 decreased \$1.2 million, or 14%, as compared to 2007 due to reduced costs associated with stock units and stock options.

Stock based compensation for 2007 decreased \$1.3 million, or 13%, as compared to 2006 due to reduced costs associated with stock options, since fewer stock option grants remained unvested as compared to 2006.

All other operating expenses

All other operating expenses for 2008 increased \$7.2 million, or 2%, to \$411.5 million as compared to 2007, primarily due to the additional expenses attributable to the CTE and GVN acquisitions of \$10.0 million in 2008 versus 2007, as 2008 includes a full year of expenses for CTE and GVN while 2007 included approximately ten months of costs for CTE and two months of costs for GVN. Frontier's purchase of CTE has enabled Frontier to realize cost savings by leveraging its centralized back office, customer service and administrative support functions over a larger customer base.

All other operating expenses for 2007 increased \$47.5 million, or 13%, to \$404.3 million as compared to 2006. Excluding the additional expenses attributable to the CTE and GVN acquisitions of \$72.1 million in 2007, all other operating expenses for 2007 decreased \$24.6 million, or 7%, as compared to 2006, primarily due to the allocation of common corporate costs over a larger base of operations, which now includes CTE. Additionally, Frontier's USF contribution rate and public utility commission fees decreased from 2006, resulting in a reduction in costs of \$13.1 million in 2007. An increase in consulting and other outside services of \$11.7 million for 2007 offset some of the decrease in expenses noted above.

Table of Contents**DEPRECIATION AND AMORTIZATION EXPENSE**

(\$ in thousands)	2008			Amount	Acquisitions	2007 Frontier (excluding CTE and GVN)			2006	
	Amount	\$ Change	% Change			\$ Change	% Change	Amount		
Depreciation expense	\$ 379,490	\$ 5,055	1%	\$ 374,435	\$ 45,289	\$ 329,146	\$ (20,961)	-6%	\$ 350,107	
Amortization expense	182,311	10,890	6%	171,421	45,042 ⁽¹⁾	126,379	(⁽¹⁾)	0%	126,380	
	\$ 561,801	\$ 15,945	3%	\$ 545,856	\$ 90,331	\$ 455,525	\$ (20,962)	-4%	\$ 476,487	

(1) Represents amortization expense related to the customer base acquired in the CTE and GVN acquisitions, and the Commonwealth trade name. Frontier's assessment of the value of the customer base and trade name, and associated expected useful life, are based upon management estimate and independent appraisal.

Depreciation and amortization expense for 2008 increased \$15.9 million, or 3%, to \$561.8 million as compared to 2007. Excluding the depreciation and amortization expense for 2008 and 2007 attributable to the CTE and GVN acquisitions, depreciation and amortization expense for 2008 decreased \$10.7 million, or 2%, as compared to 2007, primarily due to a declining net asset base for Frontier's legacy properties, partially offset by changes in the remaining useful lives of certain assets.

Consolidated depreciation and amortization expense for 2007 increased \$69.4 million, or 15%, to \$545.9 million as compared to 2006 as a result of Frontier's 2007 acquisitions of CTE and GVN. Excluding the impact of the CTE and GVN acquisitions, depreciation expense for 2007 decreased \$21.0 million, or 6%, as compared to 2006 due to a declining net asset base partially offset by changes in the remaining useful lives of certain assets.

INVESTMENT INCOME/OTHER INCOME (LOSS), NET / INTEREST EXPENSE /**INCOME TAX EXPENSE**

(\$ in thousands)	2008			Amount	Acquisitions	2007 Frontier (excluding CTE and GVN)			2006	
	Amount	\$ Change	% Change			\$ Change	% Change	Amount		
Investment income	\$ 16,118	\$ (21,523)	-57%	\$ 37,641	\$ 402	\$ 37,239	\$ (46,510)	-56%	\$ 83,749	
Other income (loss), net	(5,170)	12,663	71%	(17,833)	4,978	(22,818)	(25,818)	-859%	3,007	
Interest Expense	362,634	(18,062)	-5%	380,696	(260)	380,956	44,510	13%	336,446	
Income tax expense	106,496	(21,518)	-17%	128,014	27,013	101,001	(35,478)	-26%	136,479	
Income attributable to the noncontrolling interest in a partnership	1,614	(246)	-13%	1,860		1,860	(2,453)	-57%	4,313	
<i>Investment income</i>										

Investment income for 2008 decreased \$21.5 million, or 57%, to \$16.1 million as compared to 2007, primarily due to a decrease of \$22.1 million in income from short-term investments of cash and cash equivalents due to a lower investable cash balance.

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Investment income for 2007 decreased \$46.1 million, or 55%, to \$37.6 million as compared to 2006. Excluding the investment income attributable to the CTE and GVN acquisitions of \$0.4 million, investment income for 2007 decreased \$46.5 million, or 56%, as compared to 2006, primarily due to the \$64.6 million in proceeds received in 2006 from the Rural Telephone Bank, referred to as RTB, liquidation and dissolution, partially offset by an increase of \$10.8 million in income from short-term investments of cash.

Frontier borrowed \$550.0 million in December 2006 in anticipation of the Commonwealth acquisition in 2007. Frontier's average cash balances were \$177.5 million, \$594.2 million and \$429.5 million for 2008, 2007 and 2006, respectively.

Other income (loss), net

Other income (loss), net for 2008 improved \$12.7 million, or 71%, to \$(5.2) million as compared to 2007. Other income (loss), net improved in 2008 primarily due to a reduction in the loss on retirement of debt of \$11.9 million and the \$4.1 million expense of a bridge loan fee recorded during the first quarter of 2007.

Other income (loss), net for 2007 decreased \$20.8 million to (\$17.8) million as compared to 2006. Excluding the other income attributable to the CTE and GVN acquisitions of \$5.0 million, other income (loss), net for 2007 decreased \$25.8 million to (\$22.8) million as compared to 2006, primarily due to the premium paid of \$18.2 million on the early retirement of debt during 2007 and a bridge loan fee of \$4.1 million.

Interest expense

Interest expense for 2008 decreased \$18.1 million, or 5%, to \$362.6 million as compared to 2007, primarily due to the amortization of the deferred gain associated with the termination of Frontier's interest rate swap agreements and retirement of related debt during the first quarter of 2008, along with slightly lower average debt levels and average interest rates. Frontier's composite average borrowing rate as of December 31, 2008, as compared to 2007, was 40 basis points lower, decreasing from 7.94% to 7.54%.

Interest expense for 2007 increased \$44.5 million, or 13%, to \$381.0 million as compared to 2006, primarily due to \$637.6 million of higher average debt in 2007 resulting from financing the CTE acquisition. Frontier's composite average borrowing rate as of December 31, 2007, as compared with its composite average borrowing rate as of December 31, 2006 was 18 basis points lower, decreasing from 8.12% to 7.94%.

Frontier's average debt outstanding was \$4,753.0 million, \$4,834.5 million and \$4,196.9 million for 2008, 2007 and 2006, respectively.

Income tax expense

Income tax expense for 2008 decreased \$21.5 million, or 17%, as compared to 2007, primarily due to lower taxable income and the reduction in income tax expense of \$7.5 million recorded in the second quarter of 2008 that resulted from the expiration of certain statute of limitations on April 15, 2008, as discussed below.

The effective tax rate for 2008 was 36.6% as compared with 37.2% for 2007. Frontier's effective tax rate decreased in 2008 mainly due to the impact of the favorable tax reserve adjustment recorded in the second quarter of 2008. Frontier paid \$78.9 million in cash taxes during 2008, an increase of \$24.5 million over 2007, reflecting the utilization of Frontier's tax loss carryforwards in prior years.

As a result of the expiration of certain statute of limitations on April 15, 2008, the liabilities on Frontier's books as of December 31, 2007 related to uncertain tax positions recorded under FASB Interpretation No. (FIN) 48 were reduced by \$16.2 million in the second quarter of 2008. This reduction lowered income tax expense by \$7.5 million, goodwill by \$3.0 million and deferred income tax assets by \$5.7 million during the second quarter of 2008.

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Excluding the income tax expense attributable to the CTE and GVN acquisitions of \$27.0 million, income tax expense for 2007 decreased \$35.5 million, or 26%, as compared to 2006, primarily due to changes in taxable income. Frontier's effective tax rate for 2007 was 37.2% as compared with an effective tax rate of 34.6% for 2006. Frontier's effective tax rate increased in 2007 mainly due to changes in permanent difference items and tax contingencies.

DISCONTINUED OPERATIONS

(\$ in thousands)	2006 Amount
Revenue	\$ 100,612
Operating income	\$ 27,882
Income taxes	\$ 11,583
Net income	\$ 18,912
Gain on disposal of ELI, net of tax	\$ 71,635

On July 31, 2006, Frontier sold its CLEC business, ELI, for \$255.3 million (including a later sale of associated real estate) in cash plus the assumption of approximately \$4.0 million in capital lease obligations. Frontier recognized a pre-tax gain on the sale of ELI of approximately \$116.7 million. Frontier's after-tax gain on the sale was \$71.6 million. Frontier's cash liability for taxes as a result of the sale was approximately \$5.0 million due to the utilization of existing tax net operating losses on both the federal and state level.

Liquidity and Capital Resources

For discussions of the terms of Frontier's existing debt financing arrangements, see Note 8 in the notes to Frontier's unaudited consolidated financial statements and Note 11 in the notes to Frontier's audited consolidated financial statements, in each case included elsewhere in this proxy statement/prospectus, and Financing of the Combined Company.

Three and Six Months Ended June 30, 2009

As of June 30, 2009, Frontier had cash and cash equivalents aggregating \$454.1 million, including a portion of the net proceeds from a registered debt offering completed on April 9, 2009. Frontier's primary source of funds continued to be cash generated from operations. For the six months ended June 30, 2009, Frontier used cash flow from operations, incremental borrowing and cash on hand to fund all of its investing and financing activities, including debt repayments.

Frontier believes its operating cash flows, existing cash balances, and revolving credit facility will be adequate to finance its working capital requirements, fund capital expenditures, make required debt payments through 2009, pay taxes, pay dividends to its stockholders in accordance with its dividend policy, pay its acquisition related costs and capital expenditures and support its short-term and long-term operating strategies. However, a number of factors, including but not limited to, increased cash taxes, losses of access lines, increases in competition, lower subsidy and access revenues and the impact of the current economic environment are expected to reduce its cash generated by operations. In addition, although Frontier believes, based on information available to it, that the financial institutions syndicated under its revolving credit facility would be able to fulfill their commitments to it, given the current economic environment and the recent severe contraction in the global financial markets, this could change in the future. The current credit market turmoil and Frontier's below-investment grade credit ratings may also make it more difficult and expensive to refinance its maturing debt, although Frontier does not have any significant maturities until 2011. Frontier has approximately \$1.9 million of debt maturing during the last six months of 2009 and approximately \$7.2 million and \$869.5 million of debt maturing in 2010 and 2011, respectively.

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Cash Flow provided by Operating Activities

Cash provided by operating activities declined \$8.5 million, or 3%, for the six months ended June 30, 2009 as compared with the prior year period. Frontier's operating income decreased during the first six months of 2009 as compared to the first six months of 2008, and was mostly offset by Frontier's reduced cash needs for working capital items during the first six months of 2009 as compared to the first six months of 2008.

Frontier has in recent years paid relatively low amounts of cash taxes. Frontier expects that in 2009 and beyond its cash taxes will increase substantially, as its federal net operating loss carryforwards and alternative minimum tax credit carryforwards have been fully utilized. Frontier paid \$40.5 million in cash taxes during the first six months of 2009 and expects to pay approximately \$90.0 million to \$100.0 million for the full year of 2009. Frontier's 2009 cash tax estimate reflects the anticipated favorable impact of bonus depreciation that is part of the economic stimulus package signed into law by President Obama.

Cash Flow used by Investing Activities

Capital Expenditures

For the six months ended June 30, 2009 and 2008, Frontier's capital expenditures were \$110.4 million and \$123.7 million, respectively. Frontier continues to closely scrutinize all of its capital projects, emphasizes return on investment and focuses its capital expenditures on areas and services that have the greatest opportunities with respect to revenue growth and cost reduction. Frontier anticipates capital expenditures of approximately \$250.0 million to \$270.0 million for 2009 related to its currently owned properties.

In connection with the transactions, Frontier has commenced activities to obtain the necessary regulatory approvals, plan and implement systems and other initiatives necessary to effectuate the closing, which is expected to occur during the second quarter of 2010, and enable the combined company to implement its go to market strategy at closing. As a result, Frontier expects to incur operating expenses and capital expenditures of approximately \$35.0 million and \$25.0 million, respectively, in 2009 related to the transactions. Frontier incurred \$10.8 million of acquisition related costs in the second quarter of 2009.

Cash Flow used by and provided from Financing Activities

Debt Reduction

During the first six months of 2009, Frontier retired an aggregate principal amount of \$313.6 million of debt, consisting of \$313.1 million of senior unsecured debt, as described in more detail below, and \$0.5 million of rural utilities service loan contracts.

For the six months ended June 30, 2008, Frontier retired an aggregate principal amount of \$130.4 million of debt, consisting of \$128.7 million principal amount of its 9.25% Senior Notes due 2011, \$1.6 million of other senior unsecured debt and rural utilities service loan contracts, and \$0.1 million of 5% Company Obligated Mandatorily Redeemable Convertible Preferred Securities, referred to as EPPICS, that were converted into Frontier common stock.

Frontier may from time to time repurchase its debt in the open market, through tender offers, exchanges of debt securities, by exercising rights to call or in privately negotiated transactions. Frontier may also refinance existing debt or exchange existing debt for newly issued debt obligations.

Issuance of Debt Securities

On April 9, 2009, Frontier completed a registered offering of \$600.0 million aggregate principal amount of 8.25% senior unsecured notes due 2014. The issue price was 91.805% of the principal amount of the notes.

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Frontier received net proceeds of approximately \$538.8 million from the offering after deducting underwriting discounts. During the second quarter of 2009, Frontier used \$308.0 million of the proceeds to repurchase \$311.7 million principal amount of debt, consisting of \$255.7 million of its 9.25% Senior Notes due May 15, 2011, \$40.0 million of its 7.875% Senior Notes due January 15, 2027 and \$16.0 million of its 7.125% Senior Notes due March 15, 2019. As a result of these repurchases, a \$3.7 million gain was recognized and included in investment and other income, net in Frontier's consolidated statements of operations for the three and six months ended June 30, 2009. Frontier intends to use the remaining net proceeds from the offering to reduce, repurchase or refinance its indebtedness or the indebtedness of its subsidiaries or for general corporate purposes.

On March 28, 2008, Frontier borrowed \$135.0 million under a senior unsecured term loan facility that was established on March 10, 2008. The loan matures in 2013 and bears interest of 2.18% as of June 30, 2009. The interest rate is based on the prime rate or LIBOR, at Frontier's election, plus a margin which varies depending on Frontier's debt leverage ratio. Frontier used the proceeds to repurchase, during the first quarter of 2008, \$128.7 million principal amount of its 9.25% Senior Notes due 2011 and to pay for the \$6.3 million of premium on early retirement of these notes.

Credit Facilities

As of June 30, 2009, Frontier had an available line of credit with seven financial institutions in the aggregate amount of \$250.0 million. Associated facility fees vary, depending on Frontier's debt leverage ratio, and were 0.225% per annum as of June 30, 2009. The expiration date for this \$250.0 million five year revolving credit agreement is May 18, 2012. During the term of the credit facility Frontier may borrow, repay and reborrow funds, subject to customary borrowing conditions. The credit facility is available for general corporate purposes but may not be used to fund dividend payments. Although Frontier believes, based on information available to it, that the financial institutions syndicated under its revolving credit facility would be able to fulfill their commitments to it, given the current economic environment and the recent severe contraction in the global financial markets, this could change in the future.

Covenants

The terms and conditions contained in Frontier's indentures and credit facility agreements include the timely payment of principal and interest when due, the maintenance of Frontier's corporate existence, keeping proper books and records in accordance with U.S. GAAP, restrictions on the allowance of liens on its assets, and restrictions on asset sales and transfers, mergers and other changes in corporate control. Frontier currently has no restrictions on the payment of dividends either by contract, rule or regulation, other than those imposed by the General Corporation Law of the State of Delaware, referred to as the DGCL. However, Frontier would be restricted under its credit facilities from declaring dividends if an event of default has occurred and is continuing at the time or will result from the dividend declaration. Frontier is also restricted from increasing the amount of its dividend by the terms of the merger agreement.

Frontier's \$200.0 million term loan facility with the RTFC, which matures in 2011, contains a maximum leverage ratio covenant. On May 6, 2009, Frontier and the RTFC amended the terms of the maximum leverage ratio covenant. Under the amended leverage ratio covenant, Frontier is required to maintain a ratio of (i) total indebtedness minus cash and cash equivalents in excess of \$50.0 million to (ii) consolidated adjusted EBITDA (as defined in the agreement) over the last four quarters no greater than 4.50 to 1.

Frontier's \$250.0 million credit facility, and its \$150.0 million and \$135.0 million senior unsecured term loans, each contain a maximum leverage ratio covenant. Under the leverage ratio covenant, Frontier is required to maintain a ratio of (i) total indebtedness minus cash and cash equivalents in excess of \$50.0 million to (ii) consolidated adjusted EBITDA (as defined in the agreements) over the last four quarters no greater than 4.50 to 1. Although all of these facilities are unsecured, they will be equally and ratably secured by certain liens and equally and ratably guaranteed by certain of Frontier's subsidiaries if it issues debt that is secured or guaranteed.

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Frontier's credit facilities and certain indentures for its senior unsecured debt obligations limit its ability to create liens or merge or consolidate with other companies and its subsidiaries' ability to borrow funds, subject to important exceptions and qualifications.

As of June 30, 2009, Frontier was in compliance with all of its debt and credit facility covenants.

Proceeds from the Sale of Equity Securities

Frontier received proceeds from the issuance of Frontier common stock upon the exercise of options pursuant to its stock-based compensation plans. For the six months ended June 30, 2009 and 2008, Frontier received approximately \$0.7 million and \$1.0 million, respectively, upon the exercise of outstanding stock options.

Dividends

Frontier intends to pay regular quarterly dividends. Its ability to fund a regular quarterly dividend will be impacted by its ability to generate cash from operations. The declarations and payment of future dividends will be at the discretion of the Frontier board, and will depend upon many factors, including Frontier's financial condition, results of operations, growth prospects, funding requirements, applicable law, restrictions in agreements governing its indebtedness and other factors the Frontier board deems relevant. In connection with the transactions, Frontier announced that after the closing of the transactions Frontier intends to reduce its annual cash dividend from \$1.00 per share to \$0.75 per share, subject to applicable law and agreements governing the combined company's indebtedness and within the discretion of the Frontier board, as discussed above.

Off-Balance Sheet Arrangements

Frontier does not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon its financial statements.

Critical Accounting Policies and Estimates

Other than as set forth below, there have been no material changes to Frontier's critical accounting policies and estimates in the six months ended June 30, 2009. See "Fiscal Year Ended December 31, 2008 Critical Accounting Policies and Estimates."

Intangibles Goodwill. Frontier reorganized its management and operating structure during the first quarter of 2009 incorporating its Rochester market with its existing New York State properties and the rest of the East Region. Frontier's new structure is consistent with how its Chief Operating Decision Makers (CEO, CFO, COO) now review its results on a daily, weekly and monthly basis. As a result of the change, Frontier's operating segments (reporting units) have decreased from 4 (at December 31, 2008) to 3 (at June 30, 2009). After making the change in its operating segments, Frontier reviewed its goodwill impairment test by comparing the EBITDA multiples for each reporting unit to their carrying values noting that no impairment indicator was present. Frontier also compared its market capitalization to its shareholders equity. Market capitalization at June 30, 2009 of \$2.2 billion (\$7.14/share x 312,363,000 shares) exceeded shareholders equity of Frontier of \$438.0 million by \$1.8 billion. Further, Frontier determined that no impairment was indicated at December 31, 2008 or June 30, 2009 for either the East or Rochester reporting units and combining them would not alter the conclusion at either date. No potential impairment was indicated and no further analysis was deemed necessary.

Fiscal Year Ended December 31, 2008

As of December 31, 2008, Frontier had cash and cash equivalents aggregating \$163.6 million. Frontier's primary source of funds continued to be cash generated from operations. For the year ended December 31, 2008, Frontier used cash flow from operations, incremental borrowings and cash on hand to fund all of its investing and financing activities, including debt repayments and stock repurchases.

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Cash Flow provided by and used in Operating Activities

Cash provided by operating activities declined \$82.4 million, or 10%, for 2008 as compared to 2007. The decline resulted from a drop in operating income, as adjusted for non-cash items, lower investment income, a decrease in accounts payable and an increase in current income tax expenditures. These declines were partially offset by a decrease in accounts receivable that positively impacted Frontier's cash position as compared to the prior year. Frontier paid \$78.9 million in cash taxes during 2008.

Cash Flow used by and provided from Investing Activities

Acquisitions

On March 8, 2007, Frontier acquired Commonwealth in a cash-and-stock taxable transaction, for a total consideration of approximately \$1.1 billion. Frontier paid \$804.1 million in cash (\$663.7 million net, after cash acquired) and issued Frontier common stock with a value of approximately \$249.8 million.

In connection with the acquisition of Commonwealth, Frontier assumed \$35.0 million of debt under a revolving credit facility and \$191.8 million face amount of Commonwealth convertible notes (fair value of \$209.6 million). During March 2007, Frontier paid down the \$35.0 million credit facility. Frontier retired all of the Commonwealth notes as of December 31, 2008.

On October 31, 2007, Frontier acquired GVN for a total cash consideration of \$62.0 million.

Rural Telephone Bank

Frontier received approximately \$64.6 million in cash from the dissolution of the RTB in April 2006, which resulted in the recognition of a pre-tax gain of approximately \$61.4 million during the second quarter of 2006, as reflected in investment income in the consolidated statements of operations for the year ended December 31, 2006. Frontier's tax net operating losses were used to absorb the cash liability for taxes.

Sale of ELI

During 2006, Frontier sold ELI, its CLEC business (including its associated real estate), for \$255.3 million in cash plus the assumption of approximately \$4.0 million in capital lease obligations.

Capital Expenditures

In 2008, Frontier's capital expenditures were \$288.3 million. Frontier's 2008 capital spending was broken down into two major areas: Network/Infrastructure support and Strategic Projects. Frontier spent approximately \$224 million on Network/Infrastructure support consisting of Network support and maintenance, network to new homes and business, company vehicle, routine information systems projects, and network expansion projects. Strategic projects spending totaling approximately \$64 million included expansion of Frontier's National Data Backbone, HSI market expansion and speed upgrades, strategic IT projects, wireless data projects, and enhancements of Frontier's Internet operations.

Cash Flow used by and provided from Financing Activities

Debt Reduction and Debt Exchanges

In 2008, Frontier retired an aggregate principal amount of \$144.7 million of debt, consisting of \$128.7 million principal amount of Frontier's 9.25% Senior Notes due 2011, \$12.0 million of other senior unsecured debt and rural utilities service loan contracts, and \$4.0 million of its EPPICS.

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In 2007, Frontier retired an aggregate principal amount of \$967.2 million of debt, including \$3.3 million of EPPICS, and \$17.8 million of 3.25% Commonwealth convertible notes that were converted into Frontier common stock. On April 26, 2007, Frontier redeemed \$495.2 million principal amount of its 7.625% Senior Notes due 2008 at a price of 103.041% plus accrued and unpaid interest. During the first quarter of 2007, Frontier borrowed and repaid \$200.0 million utilized to temporarily fund the acquisition of Commonwealth, and paid down the \$35.0 million Commonwealth credit facility. Through December 31, 2007, Frontier retired \$183.3 million face amount of Commonwealth convertible notes for which it paid \$165.4 million in cash and \$36.7 million in common stock. Frontier also paid down \$44.6 million of industrial development revenue bonds and \$4.3 million of rural utilities service loan contracts.

In 2006, Frontier retired an aggregate principal amount of \$251.0 million of debt, including \$15.9 million of EPPICS that were converted into Frontier common stock. During the first quarter of 2006, Frontier entered into two debt-for-debt exchanges of its debt securities. As a result, \$47.5 million of Frontier's 7.625% notes due 2008 were exchanged for approximately \$47.4 million of Frontier's 9.00% notes due 2031. During the fourth quarter of 2006, Frontier entered into four debt-for-debt exchanges and exchanged \$157.3 million of its 7.625% notes due 2008 for \$149.9 million of its 9.00% notes due 2031. The 9.00% notes are callable on the same general terms and conditions as the 7.625% notes exchanged. No cash was exchanged in these transactions. However, with respect to the first quarter debt exchanges, a non-cash pre-tax loss of approximately \$2.4 million was recognized in accordance with EITF No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*, which is included in other income (loss), net.

On June 1, 2006, Frontier retired at par its entire \$175.0 million principal amount of 7.60% Debentures due June 1, 2006. On June 14, 2006, Frontier repurchased \$22.7 million of its 6.75% Senior Notes due August 17, 2006 at a price of 100.181% of par. On August 17, 2006, Frontier retired at par the \$29.1 million remaining balance of the 6.75% Senior Notes.

Issuance of Debt Securities

On March 28, 2008, Frontier borrowed \$135.0 million under a senior unsecured term loan facility that was established on March 10, 2008. The loan matures in 2013 and bears interest based on the prime rate or LIBOR, at Frontier's election, plus a margin which varies depending on its debt leverage ratio. Frontier used the proceeds to repurchase, during the first quarter of 2008, \$128.7 million principal amount of Frontier's 9.25% Senior Notes due 2011 and to pay for the \$6.3 million of premium on early retirement of these notes.

On March 23, 2007, Frontier issued in a private placement an aggregate \$300.0 million principal amount of 6.625% Senior Notes due 2015 and \$450.0 million principal amount of 7.125% Senior Notes due 2019. Proceeds from the sale were used to pay down \$200.0 million principal amount of indebtedness incurred on March 8, 2007 under a bridge loan facility in connection with the acquisition of Commonwealth and redeem, on April 26, 2007, \$495.2 million principal amount of Frontier's 7.625% Senior Notes due 2008. In the second quarter of 2007, Frontier completed an exchange offer (to publicly register the debt) for the \$750.0 million in total of private placement notes described above, in addition to the \$400.0 million principal amount of 7.875% Senior Notes due 2027 issued in a private placement on December 22, 2006, for registered notes.

On December 22, 2006, Frontier issued in a private placement, \$400.0 million principal amount of 7.875% Senior Notes due January 15, 2027. Proceeds from the sale were used to partially finance Frontier's acquisition of Commonwealth. These notes were exchanged for registered securities, as described above.

In December 2006, Frontier borrowed \$150.0 million under a senior unsecured term loan agreement. The loan matures in 2012 and bears interest based on an average prime rate or LIBOR, at Frontier's election, plus a margin which varies depending on Frontier's debt leverage ratio. Frontier used the proceeds to partially finance its acquisition of Commonwealth.

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As of December 31, 2008, there was no EPPICS related debt outstanding to third parties. The following disclosure provides the history regarding this issuance.

In 1996, Frontier's consolidated wholly owned subsidiary, Citizens Utilities Trust, referred to as the Trust, issued, in an underwritten public offering, 4,025,000 shares of EPPICS, representing preferred undivided interests in the assets of the Trust, with a liquidation preference of \$50 per security (for a total liquidation amount of \$201.3 million). These securities had an adjusted conversion price of \$11.46 per share of Frontier common stock. The conversion price was reduced from \$13.30 to \$11.46 during the third quarter of 2004 as a result of the \$2.00 per share of common stock special, non-recurring dividend. The proceeds from the issuance of the Trust Convertible Preferred Securities and a Company capital contribution were used to purchase \$207.5 million aggregate liquidation amount of 5% Partnership Convertible Preferred Securities due 2036 from another wholly owned consolidated subsidiary, Citizens Utilities Capital L.P., referred to as the Partnership. The proceeds from the issuance of the Partnership Convertible Preferred Securities and a Company capital contribution were used to purchase from Frontier \$211.8 million aggregate principal amount of 5% Convertible Subordinated Debentures due 2036. The sole assets of the Trust were the Partnership Convertible Preferred Securities, and Frontier's Convertible Subordinated Debentures were substantially all the assets of the Partnership. Frontier's obligations under the agreements relating to the issuances of such securities, taken together, constituted a full and unconditional guarantee by Frontier of the Trust's obligations relating to the Trust Convertible Preferred Securities and the Partnership's obligations relating to the Partnership Convertible Preferred Securities.

In accordance with the terms of the issuances, Frontier paid the annual 5% interest in quarterly installments on the Convertible Subordinated Debentures in 2008, 2007 and 2006. Cash was paid (net of investment returns) to the Partnership in payment of the interest on the Convertible Subordinated Debentures. The cash was then distributed by the Partnership to the Trust and then by the Trust to the holders of the EPPICS.

As of December 31, 2008, EPPICS representing a total principal amount of \$197.8 million have been converted into 15,969,645 shares of Frontier common stock. There were no outstanding EPPICS as of December 31, 2008. As a result of the redemption of all outstanding EPPICS as of December 31, 2008, the \$10.5 million in debt with related parties was reclassified by Frontier against an offsetting investment.

Interest Rate Management

On January 15, 2008, Frontier terminated all of its interest rate swap agreements representing \$400.0 million notional amount of indebtedness associated with its Senior Notes due in 2011 and 2013. Cash proceeds on the swap terminations of approximately \$15.5 million were received in January 2008. The related gain has been deferred on the consolidated balance sheet and is being amortized into interest expense over the term of the associated debt. For 2008, Frontier recognized \$5.0 million of deferred gain. Frontier recognized \$3.2 million and \$3.4 million of deferred gain during the first six months of 2009 and 2008, respectively, and anticipates recognizing \$1.4 million during the remainder of 2009.

The notional amounts of fixed-rate indebtedness hedged as of December 31, 2007 were \$400.0 million. Such contracts required Frontier to pay variable rates of interest (estimated average pay rates of approximately 8.54% as of December 31, 2007) and receive fixed rates of interest (average receive rate of 8.50% as of December 31, 2007). All swaps were accounted for under Statement of Financial Accounting Standards No. 133 (as amended) as fair value hedges. For 2007 and 2006, the interest expense resulting from these interest rate swaps totaled approximately \$2.4 million and \$4.2 million, respectively.

Credit Facility

As of December 31, 2008, Frontier had available lines of credit with seven financial institutions in the aggregate amount of \$250.0 million and there were no outstanding standby letters of credit issued under the facility. Associated facility fees were 0.225% per annum as of December 31, 2008.

Table of Contents*Proceeds from the Sale of Equity Securities*

For the years ended December 31, 2008, 2007 and 2006, Frontier received approximately \$1.4 million, \$13.8 million and \$27.2 million, respectively, upon the exercise of outstanding stock options.

Share Repurchase Programs

In February 2008, the Frontier board authorized Frontier to repurchase up to \$200.0 million of Frontier common stock in public or private transactions over the following twelve-month period. This share repurchase program commenced on March 4, 2008 and was completed on October 3, 2008. During 2008, Frontier repurchased 17,778,300 shares of Frontier common stock at an aggregate cost of \$200.0 million.

In February 2007, the Frontier board authorized Frontier to repurchase up to \$250.0 million of its common stock in public or private transactions over the following twelve-month period. This share repurchase program commenced on March 19, 2007 and was completed on October 15, 2007. During 2007, Frontier repurchased 17,279,600 shares of its common stock at an aggregate cost of \$250.0 million.

In February 2006, the Frontier board authorized Frontier to repurchase up to \$300.0 million of its common stock in public or private transactions over the following twelve-month period. This share repurchase program commenced on March 6, 2006. During 2006, Frontier repurchased 10,199,900 shares of its common stock at an aggregate cost of approximately \$135.2 million. No further purchases were made prior to expiration of this authorization.

Future Commitments

A summary of Frontier's future contractual obligations and commercial commitments as of December 31, 2008 is as follows:

Contractual Obligations:

(\$ in thousands)	Total	Payment due by period				
		2009	2010	2011	2012-2013	Thereafter
Long-term debt obligations, excluding interest	\$ 4,732,488	\$ 3,857	\$ 7,236	\$ 1,125,143	\$ 1,009,497	\$ 2,586,755
Interest on long-term debt	4,507,391	357,600	360,361	315,801	494,675	2,978,954
Operating lease obligations	66,500	22,654	11,288	10,211	12,781	9,566
Purchase obligations	34,142	23,286	9,937	259	330	330
FIN No. 48 liability	48,711	1,493	22,086	12,347	12,780	5
Total	\$ 9,389,232	\$ 408,890	\$ 410,908	\$ 1,463,761	\$ 1,530,063	\$ 5,575,610

At December 31, 2008, Frontier had outstanding performance letters of credit totaling \$21.9 million.

Divestitures

On August 24, 1999, the Frontier board approved a plan to divest its public utilities services businesses, which included gas, electric and water and wastewater businesses. Frontier has sold all of these properties. All of the agreements relating to the sales provide that Frontier will indemnify the buyer against certain liabilities (typically liabilities relating to events that occurred prior to sale), including environmental liabilities, for claims made by specified dates and that exceed threshold amounts specified in each agreement.

Discontinued Operations

On July 31, 2006, Frontier sold its CLEC business, ELI, for \$255.3 million (including a later sale of associated real estate) in cash plus the assumption of approximately \$4.0 million in capital lease obligations.

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Frontier recognized a pre-tax gain on the sale of ELI of approximately \$116.7 million. Frontier's after-tax gain on the sale was \$71.6 million. Frontier's cash liability for taxes as a result of the sale was approximately \$5.0 million due to the utilization of existing tax net operating losses on both the federal and state level.

Critical Accounting Policies and Estimates

Frontier reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustment prior to their publication. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, it is possible that actual results could differ from those estimates and changes to estimates could occur in the near term. The preparation of Frontier's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are used when accounting for allowance for doubtful accounts, impairment of long-lived assets, intangible assets, depreciation and amortization, pension and other postretirement benefits, income taxes, contingencies and purchase price allocations, among others.

Frontier management has discussed the development and selection of these critical accounting estimates with the audit committee of the Frontier board and the audit committee has reviewed the disclosures relating to such estimates.

Allowance for Doubtful Accounts

Frontier maintains an allowance for estimated bad debts based on its estimate of collectability of its accounts receivable through a review of aging categories and specific customer accounts. In 2008 and 2007, Frontier had no critical estimates related to telecommunications bankruptcies.

Asset Impairment

In 2008 and 2007, Frontier had no critical estimates related to asset impairments.

Intangibles

Frontier's indefinite lived intangibles consist of goodwill and trade name, which resulted from the purchase of ILEC properties. Frontier tests for impairment of these assets annually, or more frequently, as circumstances warrant. All of Frontier's ILEC properties share similar economic characteristics and as a result, Frontier aggregates its four operating segments into one reportable segment. In determining fair value of goodwill during 2008, Frontier compared the net book value of the reporting units to current trading multiples of ILEC properties as well as trading values of its publicly traded common stock. Additionally, Frontier utilized a range of prices to gauge sensitivity. Frontier's test determined that fair value exceeded book value of goodwill for each of its reporting units.

Frontier evaluates goodwill at least annually at December 31, and more often if and when impairment indicators are present. Goodwill by reporting unit (operating segment) at December 31, 2008 is as follows:

(\$ in thousands)	Reporting Units			
	East	West	Central	Rochester
Goodwill	\$ 501,743	\$ 34,736	\$ 1,406,200	\$ 699,644

Frontier did not have any changes to its operating segments, reporting units, or changes in the allocation of goodwill by reporting unit during the years ended December 31, 2007 and 2008. During the first quarter of 2007 Frontier acquired Commonwealth and included their operations and any related goodwill in Frontier's Central region.

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Each of the above noted reporting units is an operating segment. The first step in the goodwill impairment test compares the carrying value of net assets of the reporting unit to its fair value. The result of this first step indicated that fair value of each reporting unit exceeded the carrying value of such reporting units by a wide margin. As a result, the second step of the goodwill impairment test was not required.

Frontier estimates fair value in two ways: (1) market or transaction based and (2) equity based utilizing Frontier's share price. Market values for rural ILEC properties are typically quoted as a multiple of cash flow or EBITDA. Marketplace transactions and analyst reports support a range of values around a multiple of 6 times annualized EBITDA. For the purpose of the goodwill impairment test Frontier defines EBITDA as operating income plus depreciation and amortization. Frontier determined the fair value estimates using 6 times EBITDA but also used lower EBITDA multiples to gauge the sensitivity of the estimate and its effect on the margin of excess of fair value over the carrying values of the reporting units. Additionally, a second test was performed using Frontier's public market equity value or market capitalization. Market capitalization (current market stock price times total shares outstanding) is a public market indicator of equity value and is useful in corroborating the 6 times EBITDA valuation because Frontier is singularly engaged in rural ILEC operating activities. Equity value at December 31, 2008 was determined using an average stock price of \$8 per share (the stock price on December 31, 2008 was \$8.74) and when compared to the fair value using the EBITDA multiple obtained above, exceeded such value. Frontier also used lower per share stock prices to gauge the sensitivity of the estimate and its effect on the margin of excess fair value over the carrying value. Total market capitalization determined in this manner is then allocated to the reporting units based upon each unit's relative share of consolidated EBITDA. Frontier's method of determining fair value has been consistently applied for the three years ending December 31, 2008.

Depreciation and Amortization

The calculation of depreciation and amortization expense is based on the estimated economic useful lives of the underlying property, plant and equipment and identifiable intangible assets. An independent study updating the estimated remaining useful lives of Frontier's plant assets is performed annually.

Pension and Other Postretirement Benefits

Frontier's estimates of pension expense, other postretirement benefits including retiree medical benefits and related liabilities are critical accounting estimates. Frontier sponsors noncontributory defined benefit pension plans covering a significant number of current and former employees and other postretirement benefit plans that provide medical, dental, life insurance and other benefits for covered retired employees and their beneficiaries and covered dependents. The pension plans for the majority of Frontier's current employees are frozen. All of the employees who are still accruing pension benefits are represented employees. The accounting results for pension and post retirement benefit costs and obligations are dependent upon various actuarial assumptions applied in the determination of such amounts. These actuarial assumptions include the following: discount rates, expected long-term rate of return on plan assets, future compensation increases, employee turnover, healthcare cost trend rates, expected retirement age, optional form of benefit and mortality. Frontier reviews these assumptions for changes annually with its independent actuaries. Frontier considers its discount rate and expected long-term rate of return on plan assets to be its most critical assumptions.

The discount rate is used to value, on a present basis, Frontier's pension and postretirement benefit obligation as of the balance sheet date. The same rate is also used in the interest cost component of the pension and postretirement benefit cost determination for the following year. The measurement date used in the selection of Frontier's discount rate is the balance sheet date. Frontier's discount rate assumption is determined annually with assistance from its actuaries based on the pattern of expected future benefit payments and the prevailing rates available on long-term, high quality corporate bonds that approximate the benefit obligation. In making this determination Frontier considers, among other things, the yields on the Citigroup Pension Discount Curve, the

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Citigroup Above-Median Pension Curve, the general movement of interest rates and the changes in those rates from one period to the next. This rate can change from year-to-year based on market conditions that affect corporate bond yields. Frontier's discount rate was 6.50% at year-end 2008 and 2007.

The expected long-term rate of return on plan assets is applied in determining the periodic pension and postretirement benefit cost as a reduction in the computation of the expense. In developing the expected long-term rate of return assumption, Frontier considered published surveys of expected market returns, 10 and 20 year actual returns of various major indices, and Frontier's historical 5 year, 10 year and 20 year investment returns. The expected long-term rate of return on plan assets is based on an asset allocation assumption of 35% to 55% in fixed income securities, 35% to 55% in equity securities and 5% to 15% in alternative investments. Frontier reviews its asset allocation at least annually and makes changes when considered appropriate. Frontier's asset return assumption is made at the beginning of its fiscal year. In 2008, Frontier did not change its expected long-term rate of return from the 8.25% used in 2007. Frontier's pension plan assets are valued at actual market value as of the measurement date.

No contribution was made to its pension plan during 2008.

Income Taxes

Frontier's effective tax rates in 2006, 2007 and 2008 were approximately at the statutory rates.

Contingencies

At December 31, 2006, Frontier had a reserve of \$8.0 million in connection with a potential environmental claim in Bangor, Maine. This claim was settled with a payment of \$7.625 million plus additional expenses during the third quarter of 2007.

Purchase Price Allocation - Commonwealth and GVN

The allocation of the approximate \$1.1 billion paid to the fair market value of the assets and liabilities of Commonwealth is a critical estimate. Frontier finalized its estimate of the fair values assigned to plant, customer list and goodwill, as more fully described in Notes 3 and 7 in the notes to Frontier's audited consolidated financial statements included elsewhere in this proxy statement/prospectus. Additionally, the estimated expected life of a customer (used to amortize the customer list) is a critical estimate.

Verizon's Separate Telephone Operations

Overview

Verizon's wireline business provides communications services, including voice, broadband data and video services, network access, nationwide long distance and other communications products and services. Verizon's Separate Telephone Operations represent a portion of Verizon's wireline business but have not been operated as a distinct business separate from Verizon's wireline business and do not constitute a separate legal entity. Consequently, financial statements had not historically been prepared for Verizon's Separate Telephone Operations. Verizon has a highly diverse workforce of approximately 235,000 employees, including approximately 10,700 employed by Verizon's Separate Telephone Operations.

Verizon's Separate Telephone Operations are comprised of the local exchange business and related landline activities of Verizon in the states of Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, including long distance services, Internet access and broadband video provided to designated customers in those states.

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Verizon's Separate Telephone Operations are comprised of portions of Verizon California Inc. and Verizon South Inc., and the stock of Contel of the South, Inc., Verizon Northwest, Verizon North, and Verizon West Virginia Inc. (after the transfer of certain operations, assets and liabilities of Verizon North and Verizon Northwest); also included in Verizon's Separate Telephone Operations are portions of Verizon Long Distance LLC and Verizon Enterprise Solutions LLC and Verizon Online LLC. Verizon's Separate Telephone Operations exclude all activities of Verizon Business Global LLC and Celco.

Verizon California Inc., Verizon Northwest, Verizon North, Verizon South Inc. and Contel of the South, Inc., are wholly owned subsidiaries of GTE Corporation, which is a subsidiary of Verizon. Verizon West Virginia Inc. is a wholly owned subsidiary of Verizon. Verizon Long Distance LLC, Verizon Enterprise Solutions LLC and Verizon Online LLC are indirect wholly owned subsidiaries of Verizon.

Verizon's Separate Telephone Operations have one reportable segment, servicing territories consisting of local access and transport areas, referred to as LATAs, in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin. These LATAs are generally centered on a city or based on some other identifiable common geography. Verizon's Separate Telephone Operations include regulated and unregulated carrier business in thirteen states, consisting principally of:

local wireline customers and related operations and assets used to deliver:

- i local exchange service,
- i intraLATA toll service,
- i network access service,
- i enhanced voice and data services, and
- i products at retail stores;

consumer and small business switched long distance customers (excluding any customers of Verizon Business Global LLC);

dial-up, high-speed Internet (or digital subscriber line) and fiber-to-the-premises Internet service provider customers; and

broadband video in areas of Indiana, Oregon and Washington.

Many of the communications services Verizon's Separate Telephone Operations provide are subject to regulation by the state regulatory commissions of Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, with respect to intrastate rates and services and other matters. In Idaho, Verizon's Separate Telephone Operations has made the election under a statutory amendment into a deregulatory regime that phases out all price regulation. The FCC regulates rates that Verizon's Separate Telephone Operations charge long distance carriers and end-user subscribers for interstate access services and interstate traffic. All of the broadband video services Verizon's Separate Telephone Operations provides, including the payment of franchise fees, are subject to regulation by state regulatory commissions or local governmental authorities.

The sections that follow provide information about the important aspects of Verizon's Separate Telephone Operations and discuss their results of operations, financial position and sources and uses of cash and investments. Also highlighted are key trends and uncertainties related to Verizon's Separate Telephone Operations to the extent practicable. In its operation of Verizon's Separate Telephone Operations, Verizon management also monitors several key economic indicators as well as the state of the United States economy in general in evaluating operating results and

assessing the potential impacts of these trends on Verizon's businesses. While most key economic indicators, including gross domestic product, affect Verizon's operations

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to some degree, Verizon management historically has noted higher correlations to non-farm employment, personal consumption expenditures and capital spending, as well as more general economic indicators such as inflationary or recessionary trends and housing starts.

Verizon's Separate Telephone Operations' results of operations, financial position and sources and uses of cash in the periods presented have reflected, and prior to the merger are expected to continue to reflect, a focus on the following strategic imperatives:

Revenue Growth. To generate revenue growth, Verizon management, including in managing Verizon's Separate Telephone Operations, is devoting resources to higher growth markets such as broadband markets as well as continuing to develop and market innovative product bundles to include local, long distance and broadband services for consumer and general business retail customers. Verizon management believes these efforts will help counter the effects of competition and technology substitution that have resulted in access line losses.

Profitability Improvement. Verizon management, including in managing Verizon's Separate Telephone Operations, continues to be sharply focused on cost controls with the objective of driving efficiencies to offset access line losses.

Operational Efficiency. While focusing resources on revenue growth and market share gains, Verizon management, including in managing Verizon's Separate Telephone Operations, is continually challenging its team to lower expenses, particularly through technology-assisted productivity improvements, including self-service initiatives. The effect of these and other efforts, such as real estate consolidation, call center routing improvements, access to Verizon's centralized shared services organization, information technology and marketing efforts, has led to changes in Verizon's cost structure, including in managing Verizon's Separate Telephone Operations, as well as maintaining and improving operating income margins.

Customer Service. Verizon management's goal is to be the leading company in customer service in every market Verizon serves. Verizon management, including in managing Verizon's Separate Telephone Operations, views superior product offerings and customer service experiences as a competitive differentiator and a catalyst to growing revenues and gaining market share. It is committed to providing high-quality customer service and continually monitoring customer satisfaction.

Performance-Based Culture. Verizon management, including in managing Verizon's Separate Telephone Operations, embraces a culture of accountability, based on individual and team objectives that are performance-based and tied to Verizon's strategic imperatives. Key objectives of Verizon's compensation programs are pay-for-performance and the alignment of executives' and shareowners' long-term interests. Verizon, including Verizon's Separate Telephone Operations, also employs a highly diverse workforce, since respect for diversity is an integral part of Verizon's culture and a critical element of its competitive success.

Verizon's Separate Telephone Operations create value by investing the cash flows generated by their business in opportunities and transactions that support their strategic imperatives, thereby increasing customer satisfaction and usage of Verizon's Separate Telephone Operations' products and services. Verizon's Separate Telephone Operations' net cash provided by operating activities for the six months ended June 30, 2009 of \$639 million increased by \$50 million from \$589 million for the six months ended June 30, 2008, despite 566,000 access line losses and lower operating revenues of \$127 million over that same period.

Basis of Presentation

Historically, financial statements have not been prepared for Verizon's Separate Telephone Operations, as they were not operated as a distinct business separate from Verizon's wireline business and do not constitute a separate legal entity. The accompanying combined special-purpose financial statements have been prepared to present the statements of selected assets, selected liabilities and parent funding, and statements of income, parent

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funding and cash flows of Verizon's Separate Telephone Operations in contemplation of a potential spin-off or business combination involving Verizon's Separate Telephone Operations. The accompanying combined special-purpose financial statements have been prepared in accordance with U.S. GAAP using specific information where available and allocations where data is not maintained on a state-specific basis within Verizon's books and records. The allocations impacted substantially all of the income statement items other than operating revenues and balance sheet items with the exception of plant, property and equipment, accumulated depreciation and materials and supplies, which were maintained at the state level. Verizon management believes the allocations used to determine selected amounts in the financial statements are appropriate methods to reasonably reflect the related assets, liabilities, revenues and expenses of Verizon's Separate Telephone Operations. The financial statements of Verizon's Separate Telephone Operations reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the years and interim periods shown including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year.

The combined special-purpose financial statements include the wireline-related businesses, Internet access and long distance services provided by Verizon's Separate Telephone Operations to customers in the thirteen states in which it operates. All significant intercompany transactions have been eliminated.

Results of Operations**Three and Six Months Ended June 30, 2009 Compared to the Three and Six Months Ended June 30, 2008**

(\$ in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	2008	% Change	2009	2008	% Change
Operating revenues	\$ 1,031	\$ 1,102	(6.4)	\$ 2,074	\$ 2,201	(5.8)
Operating expenses						
Cost of services and sales (exclusive of items shown below)	349	354	(1.4)	677	731	(7.4)
Selling, general and administrative expense	362	252	43.7	598	489	22.3
Depreciation and amortization expense	196	190	3.2	388	378	2.6
Total operating expenses	907	796	13.9	1,663	1,598	4.1
Operating income	124	306	(59.5)	411	603	(31.8)
Other income, net		2	(100.0)		5	(100.0)
Interest expense	23	45	(48.9)	48	92	(47.8)
Income tax provision	36	86	(58.1)	126	181	(30.4)
Net income	\$ 65	\$ 177	(63.3)	\$ 237	\$ 335	(29.3)

Operating data (in thousands)

Switched access lines in service	4,492	5,058	(11.2)
Minutes of use (MOUs)	8,345,000	9,845,000	(15.2)
FiOS Internet subscribers	140	90	55.6
FiOS TV subscribers	103	47	119.1
High-Speed Internet subscribers	908	873	4.0

Operating Revenues

Operating revenues during the three months ended June 30, 2009 declined \$71 million, or 6.4%, and \$127 million, or 5.8%, for the six months ended June 30, 2009, compared to the similar periods in 2008. These decreases were principally related to 11.2% fewer switched access lines in service as of June 30, 2009 compared

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to June 30, 2008, driven by competition and technology substitution, partially offset by revenue growth associated with FiOS Internet, FiOS TV and high-speed Internet subscriber additions of 55.6%, 119.1% and 4.0%, respectively. Fewer access lines resulted in lower local exchange service revenues and lower Universal Service Fund and end-user common line charge revenues. However, increases in Internet and video revenues resulting principally from increased FiOS and high-speed Internet subscribers totaled \$19 million and \$39 million for the three and six months ended June 30, 2009, respectively, compared to the similar periods in 2008.

Operating Expenses

Cost of services and sales. Cost of services and sales during the three months ended June 30, 2009 declined \$5 million, or 1.4%, and \$54 million, or 7.4%, for the six months ended June 30, 2009, compared to the similar periods in 2008. The decreases were primarily the result of a decline in MOUs of 15.2% for the six months ended June 30, 2009 compared to the similar period in 2008, reduced repair and maintenance expenses and lower Universal Service Fund charges, driven by 11.2% fewer access lines as of June 30, 2009 compared to June 30, 2008, as well as productivity improvements. Partially offsetting this decrease in cost of services and sales were higher costs associated with FiOS Internet, FiOS TV and high-speed Internet subscriber additions and a year-to-date adjustment for allocated real estate costs in the second quarter of 2009.

Selling, general and administrative expense. Selling, general and administrative expense during the three months ended June 30, 2009 increased \$110 million, or 43.7%, and \$109 million, or 22.3%, for the six months ended June 30, 2009, compared to the similar periods in 2008. In the second quarter of 2009, pension settlement losses of \$139 million were recorded related to employees that received lump-sum distributions primarily resulting from previous separation plans in which prescribed payment thresholds have been reached. This increase, and higher advertising, contractor and other costs associated with the growth of FiOS Internet, FiOS TV and the high-speed Internet business, in both the three and six months ended June 30, 2009, compared to the similar periods in 2008, were partially offset by lower salary and benefits costs associated with lower allocated headcount and cost reduction initiatives.

Depreciation and amortization. Depreciation and amortization expense during the three months ended June 30, 2009 increased \$6 million, or 3.2%, and \$10 million, or 2.6%, for the six months ended June 30, 2009, compared to the similar periods in 2008. These increases were primarily driven by growth in depreciable telephone plant and equipment from additional capital spending and the impact of asset life changes effective January 1, 2009, partially offset by lower rates of depreciation.

Other Results

Other income, net. Other income, net includes interest income and other non-operating income and expense items. Other income, net during the three months ended June 30, 2009 decreased \$2 million, or 100.0%, and \$5 million, or 100.0%, for the six months ended June 30, 2009, compared to the similar periods in 2008. These decreases were the result of lower income on short-term investments, driven by lower average short-term investment balances during the three and six months ended June 30, 2009, compared to the similar periods in 2008.

Interest expense. Interest expense during the three months ended June 30, 2009 decreased \$22 million, or 48.9%, and \$44 million, or 47.8%, for the six months ended June 30, 2009, compared to the similar periods in 2008. These decreases were primarily driven by lower average debt balances during the three and six months ended June 30, 2009 compared to the similar periods in 2008. During the fourth quarter of 2008, \$700 million of long-term debt with a weighted-average interest rate of 6.1% was repaid. In addition, the average interest rate on affiliate payables was lower during the three and six months ended June 30, 2009 compared to the similar periods in 2008.

Income taxes. The effective income tax rate is the income tax provision stated as a percentage of income before the provision for income taxes. The effective income tax rate for Verizon's Separate Telephone Operations during the three and six months ended June 30, 2009 were 35.6% and 34.7%, respectively, compared

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to 32.7% and 35.1% during the three and six months ended June 30, 2008, respectively. The increase in the three months ended June 30, 2009, compared to the similar period in 2008, was primarily due to a tax benefit recorded in the second quarter of 2008 related to a settlement of uncertain tax positions.

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

(\$ in millions)	Year Ended December 31,		% Change
	2008	2007	
Operating revenues	\$ 4,352	\$ 4,527	(3.9)
Operating expenses			
Cost of services and sales (exclusive of items shown below)	1,435	1,523	(5.8)
Selling, general and administrative expense	1,114	1,049	6.2
Depreciation and amortization expense	759	796	(4.6)
Total operating expenses	3,308	3,368	(1.8)
Operating income	1,044	1,159	(9.9)
Other income, net	7	10	(30.0)
Interest expense	186	203	(8.4)
Income tax provision	313	363	(13.8)
Net income	\$ 552	\$ 603	(8.5)

Operating data (in thousands)

Switched access lines in service	4,766	5,307	(10.2)
Minutes of use (MOUs)	18,711,000	20,902,000	(10.5)
FiOS Internet subscribers	110	71	54.9
FiOS TV subscribers	69	26	165.4
High-Speed Internet subscribers	887	848	4.6

Operating Revenues

Operating revenues during 2008 of \$4,352 million declined \$175 million, or 3.9% compared to 2007. This decrease was principally related to 10.2% fewer switched access lines in service driven by competition and technology substitution, partially offset by revenue growth associated with FiOS Internet, FiOS TV and high-speed Internet subscriber additions of 54.9%, 165.4% and 4.6%, respectively. Fewer access lines resulted in lower local exchange service revenues and lower Universal Service Fund and end-user common line charge revenues. However, increases in Internet and video revenues resulting principally from increased FiOS and high-speed Internet subscribers totaled \$92 million.

Operating Expenses

Cost of services and sales. Cost of services and sales in 2008 of \$1,435 million declined \$88 million, or 5.8% compared to 2007. The decrease was primarily the result of lower MOUs of 10.5%, reduced repair and maintenance expenses and lower Universal Service Fund charges, driven by 10.2% fewer access lines, as well as productivity improvements. Partially offsetting this decrease in cost of services and sales were higher costs associated with FiOS Internet, FiOS TV and high-speed Internet subscriber additions.

Selling, general and administrative expense. Selling, general and administrative expense in 2008 of \$1,114 million increased \$65 million, or 6.2% compared to 2007. Higher advertising, contractor and other costs associated with the growth of FiOS Internet, FiOS TV and the high-speed Internet business and lower gains on asset sales in 2008 as well as pension settlement losses were partially offset by lower salary and benefits costs associated with lower allocated headcount and cost reduction initiatives.

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Depreciation and amortization. Depreciation and amortization expense in 2008 of \$759 million decreased \$37 million, or 4.6% compared to 2007 primarily driven by lower rates of depreciation, partially offset by growth in depreciable telephone plant and equipment from additional capital spending.

Other Results

Other income, net. Other income, net in 2008 of \$7 million declined \$3 million, or 30.0% compared to 2007 as a result of lower income on short-term investments, driven by lower average short-term investment balances during 2008 compared to 2007.

Interest expense. Interest expense in 2008 of \$186 million declined \$17 million, or 8.4% compared to 2007. The decrease was primarily driven by lower average debt balances during 2008 compared to 2007. During the fourth quarter of 2008, \$700 million of long-term debt with a weighted-average interest rate of 6.1% was repaid. In addition, the average interest rate on affiliate payables was lower during 2008 compared to 2007. These decreases were partially offset by higher average affiliate payables in 2008 compared to 2007.

Income taxes. The effective income tax rate for Verizon's Separate Telephone Operations during 2008 was 36.2% compared to 37.6% during 2007. The decline in the effective income tax rate was primarily due to a tax benefit recorded in 2008 related to interest on uncertain tax positions.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

(\$ in millions)	Year Ended December 31,		% Change
	2007	2006	
Operating revenues	\$ 4,527	\$ 4,674	(3.1)
Operating expenses			
Cost of services and sales (exclusive of items shown below)	1,523	1,540	(1.1)