

FRONTIER COMMUNICATIONS CORP

Form 424B2

June 02, 2015

Table of Contents

Filed Pursuant to Rule 424(b)(2)  
Registration No. 333-203537

The information contained in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities or a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated June 2, 2015

Prospectus supplement

(To Prospectus dated April 20, 2015)

## Frontier Communications Corporation

***\$1,750,000,000***

***17,500,000 shares of % Mandatory Convertible Preferred Stock, Series A***

We are offering 17,500,000 shares of our % Mandatory Convertible Preferred Stock, Series A, par value \$0.01 per share (the Mandatory Convertible Preferred Stock). We will receive all of the net proceeds from this offering.

Dividends on the Mandatory Convertible Preferred Stock will be payable on a cumulative basis when, as and if declared by our board of directors or an authorized committee thereof, at an annual rate of % on the liquidation preference of \$100.00 per share. We may pay declared dividends in cash or, subject to certain limitations, in shares of our common stock, par value \$0.25 per share (our common stock), or by delivery of any combination of cash and shares of our common stock, at our election, subject to certain limitations, on the last business day of each of March, June, September and December of each year, commencing on September 30, 2015 and to, and including, June 29, 2018.

Each share of the Mandatory Convertible Preferred Stock will automatically convert on June 29, 2018 (subject to postponement in certain cases, the mandatory conversion date), into between and shares of our common stock, subject to anti-dilution adjustments, depending on the average VWAP (as defined herein) per share of our common stock over the 20 consecutive trading day period beginning on, and including, the 22nd scheduled trading day immediately preceding the mandatory conversion date. At any time prior to the mandatory conversion date, holders may elect to convert all or a portion of their shares of the Mandatory Convertible Preferred Stock into shares of our common stock at the minimum conversion rate of shares of our common stock per share of the Mandatory Convertible Preferred Stock, subject to anti-dilution adjustments; *provided, however*, that if holders elect to convert any shares of the Mandatory Convertible Preferred Stock during a specified period beginning on the effective date of a fundamental change (as defined herein), such shares of the Mandatory Convertible Preferred Stock will be converted into shares of our common stock at the fundamental change conversion rate (as defined herein), and the holders will also be entitled to receive a fundamental change dividend make-whole amount and accumulated dividend amount (each as defined herein).

Concurrently with this offering, we are offering shares of our common stock in a \$750,000,000 offering (the concurrent offering). The concurrent offering is being made by means of a separate prospectus supplement and not by means of this prospectus supplement. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any securities being offered in the concurrent offering.

We intend to use the proceeds of this offering, together with the proceeds of the concurrent offering, to finance a portion of the cash consideration payable in connection with the Verizon Transaction (as defined herein) and to pay related fees and expenses. The closing of this offering and the concurrent offering are not conditioned on each other or on the closing of the Verizon Transaction which, if completed, will occur subsequent to the closing of this offering. See Summary The Verizon Transaction and Use of proceeds. If the Verizon Transaction has not closed on or prior to August 6, 2016 or if an acquisition termination event (as defined herein) occurs, we may, at our sole option, redeem the Mandatory Convertible Preferred Stock as further described herein.

## Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 424B2

Prior to this offering, there has been no public market for the Mandatory Convertible Preferred Stock. We intend to apply to list the Mandatory Convertible Preferred Stock on the NASDAQ Global Select Market (the "NASDAQ") under the symbol "FTRPR". Our common stock is listed on the NASDAQ under the symbol "FTR". On June 1, 2015, the last reported sale price of our common stock on the NASDAQ was \$5.08 per share.

**Investing in our Mandatory Convertible Preferred Stock involves risks. See Supplemental risk factors beginning on page S-21 of this prospectus supplement as well as the risks described in Part I, Item 1A Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2014.**

	Per share	Total
Public offering price	\$	\$ (1)
Underwriting discounts and commissions	\$	\$ (1)
Proceeds, before expenses, to us	\$	\$ (1)

(1) Assumes no exercise of the underwriters' option to purchase additional shares described below.

We have granted the underwriters an overallotment option exercisable within a 30-day period beginning on, and including, the date of this prospectus supplement, to purchase up to 1,750,000 additional shares of Mandatory Convertible Preferred Stock from us at the public offering price, less the underwriting discounts and commissions. See "Underwriting."

**Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of the Mandatory Convertible Preferred Stock or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the Mandatory Convertible Preferred Stock on or about \_\_\_\_\_, 2015.

*Joint book-running managers*

**J.P. Morgan**

**BofA Merrill Lynch**

**Citigroup**

**Barclays**

*Co-managers*

**Credit Suisse**

**Morgan Stanley**

**Mizuho Securities**

**Deutsche Bank Securities**

**Goldman, Sachs & Co.**

**UBS Investment Bank**

The date of this prospectus supplement is \_\_\_\_\_, 2015

**Table of Contents**

**Table of contents**

**PROSPECTUS SUPPLEMENT**

	<b>Page</b>
<u>About this prospectus supplement</u>	S-ii
<u>Cautionary note regarding forward-looking statements</u>	S-iii
<u>Summary</u>	S-1
<u>Supplemental risk factors</u>	S-21
<u>Ratio of earnings to combined fixed charges and preferred stock dividends</u>	S-35
<u>Use of proceeds</u>	S-36
<u>Capitalization</u>	S-37
<u>Description of Mandatory Convertible Preferred Stock</u>	S-38
<u>Concurrent offering</u>	S-68
<u>Description of the Verizon Transaction</u>	S-69
<u>Unaudited pro forma condensed combined financial information</u>	S-72
<u>U.S. federal income tax considerations</u>	S-83
<u>Underwriting</u>	S-90
<u>Legal matters</u>	S-98
<u>Experts</u>	S-98
<u>Where you can find more information</u>	S-98
<u>Incorporation of certain documents by reference</u>	S-99

**PROSPECTUS**

	<b>Page</b>
<u>About this prospectus</u>	1
<u>Cautionary statement regarding forward-looking statements</u>	2
<u>Our company</u>	4
<u>Risk factors</u>	4
<u>Use of proceeds</u>	4
<u>Ratio of earnings to fixed charges</u>	5
<u>Description of securities</u>	5
<u>Description of capital stock</u>	5
<u>Description of debt securities</u>	7
<u>Description of purchase contracts and purchase units</u>	7
<u>Selling securityholders</u>	8
<u>Plan of distribution</u>	8
<u>Validity of securities</u>	8
<u>Experts</u>	9

Where you can find more information

9

Incorporation by reference

9

S-i

**Table of Contents**

## **About this prospectus supplement**

This document is in two parts. The first part is this prospectus supplement, which describes certain matters relating to us and the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, dated April 20, 2015, gives more general information about us and the securities we may offer from time to time under our shelf registration statement, some of which may not apply to this offering and some of which is superseded by the information in this prospectus supplement. If the description of this offering or the securities offered hereby in the accompanying prospectus is different from the description in this prospectus supplement, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

You should read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus in their entirety, including the additional information described under **Where you can find more information** and **Incorporation of certain documents by reference** in this prospectus supplement, before deciding whether to invest in the securities offered by this prospectus supplement.

You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding the purchase of the securities offered by this prospectus supplement.

**We have not, and the underwriters have not, authorized anyone to provide any information other than that contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.**

**We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted.**

**The information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus is accurate only as of the date such information is presented regardless of the time of delivery of this prospectus supplement or the accompanying prospectus. Our business, financial condition, results of operations and prospects may have changed since those dates. It is important that you read and consider all of the information contained in or incorporated by reference into this prospectus supplement and the information contained in the accompanying prospectus in making your investment decision.**

As used in this prospectus supplement and the accompanying prospectus, unless otherwise indicated or the context otherwise requires, references to **we**, **us**, **our**, **Frontier** and the **Company** refer to Frontier Communications Corporation and its subsidiaries.

Table of Contents

## Cautionary note regarding forward-looking statements

Information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus contains forward-looking statements. These forward-looking statements include, among others, statements of our plans, objectives, expectations (financial or otherwise) or intentions. Words such as expect, anticipate, intend, plan, believe, seek, see, will, would, target and expressions are intended to identify forward-looking statements.

Our forward-looking statements involve risks and uncertainties. Our actual results may differ significantly from those projected or suggested in any forward-looking statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Factors that might cause such a difference to occur include, but are not limited to:

risks related to the pending Verizon Transaction, including our ability to complete the Verizon Transaction, our ability to successfully integrate operations, our ability to realize anticipated cost savings, sufficiency of the assets to be acquired from Verizon (as defined herein), our ability to migrate Verizon's operations from Verizon owned and operated systems and processes to our owned and operated systems and processes successfully, failure to enter into or obtain, or delays in entering into or obtaining, certain agreements and consents necessary to operate the acquired business as planned, failure to obtain, delays in obtaining or adverse conditions contained in any required regulatory approvals for the acquisition, and increased expenses incurred due to activities related to the Verizon Transaction;

the ability of the Commitment Parties (as defined herein) that have provided the 8/10 Year Bridge Facility and 18 Month Bridge Facility (each as defined herein) to meet their obligations thereunder in the event we are required to draw on such bridge financing;

our ability to raise, on terms reasonable and acceptable to us, all or a portion of the financing to replace our 8/10 Year Bridge Facility and 18 Month Bridge Facility with debt and equity financing to complete the Verizon Transaction prior to the closing of such transaction, which, if the Verizon Transaction is ultimately not consummated or is delayed, could require us to pay significant interest expense, dividends and other costs in connection with the financing without achieving the expected benefits of the Verizon Transaction;

risks related to the recently-concluded Connecticut Acquisition (as defined herein), including our ability to fully realize expected cost synergies;

our ability to meet our debt and debt service obligations;

competition from cable, wireless and other wireline carriers and the risk that we will not respond on a timely or profitable basis;

our ability to successfully adjust to changes in the communications industry, including the effects of technological changes and competition on our capital expenditures, products and service offerings;

reductions in revenue from our voice customers that we cannot offset with increases in revenue from broadband and video subscribers and sales of other products and services;

our ability to maintain relationships with customers, employees or suppliers;

the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks;

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

S-iii

**Table of Contents**

the effects of changes in the availability of federal and state universal service funding or other subsidies to us and our competitors;

our ability to effectively manage service quality in our territories and meet mandated service quality metrics;

our ability to successfully introduce new product offerings;

the effects of changes in accounting policies or practices, including potential future impairment charges with respect to our intangible assets;

our ability to effectively manage our operations, operating expenses, capital expenditures, debt service requirements and cash paid for income taxes and liquidity, which may affect payment of dividends on our common stock;

the effects of changes in both general and local economic conditions on the markets that we serve;

the effects of increased medical expenses and pension and postemployment expenses;

the effects of changes in income tax rates, tax laws, regulations or rulings, or federal or state tax assessments;

our ability to successfully renegotiate union contracts;

changes in pension plan assumptions, interest rates, regulatory rules and/or the value of our pension plan assets which could require us to make increased contributions to the pension plan in 2015 and beyond;

adverse changes in the credit markets or in the ratings given to our debt securities by nationally accredited ratings organizations, which could limit or restrict the ability, or increase the cost, of financing to us;

the effects of state regulatory cash management practices that could limit our ability to transfer cash among our subsidiaries or dividend funds up to the parent company;

the effects of severe weather events or other natural or man-made disasters, which may increase our operating expenses or adversely impact customer revenue; and

the impact of potential information technology or data security breaches or other disruptions.

Any of the foregoing events, or other events, could cause financial information to vary from management's forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should consider these important factors, as well as the risk factors set forth in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to the offering filed by us with the SEC and in our Annual Report on Form 10-K for the year ended December 31, 2014 and our other filings under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), parts of which are incorporated by reference in this prospectus supplement and the accompanying prospectus, in evaluating any statement made in or incorporated by reference in this prospectus supplement and the accompanying prospectus. For the foregoing reasons, we caution you against relying on any forward-looking statements. We undertake no obligation to update or revise these forward-looking statements, except as required by law.





**Table of Contents**

## **Summary**

*This summary highlights information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Because this is a summary, it may not contain all of the information that is important to you. Before making an investment decision, you should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference, including the section entitled *Supplemental risk factors* in this prospectus supplement and *Part I, Item 1A Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2014 (as such risk factors may be updated from time to time in our public filings).*

### **Our company**

We are the fourth largest incumbent local exchange carrier ( ILEC ) in the United States, with 3.5 million customers across 28 states and approximately 17,800 employees. Our products and services include wireline voice, data and video for 3.2 million residential customers and approximately 300,000 business customers. We have transformed from a smaller rural provider of telephone services into a provider of communications and entertainment services that is diversified across rural, suburban and metropolitan markets. We generated revenues of approximately \$4.8 billion for the year ended December 31, 2014 and approximately \$1.4 billion for the three months ended March 31, 2015.

Following the consummation of the Verizon Transaction, we will operate in 29 states, passing approximately 14.6 million households, with approximately 4.6 million broadband connections, 1.8 million video connections and 7.2 million total customers. Moreover, our fiber/U-verse services will be available to more than 30% of the homes we pass. Pro forma for the Verizon Transaction and the Connecticut Acquisition, which was consummated on October 24, 2014, our total revenues for the year ended December 31, 2014 would have been approximately \$11.5 billion, approximately double our standalone operations, before giving effect to the Connecticut Acquisition and the Verizon Transaction.

We offer a broad portfolio of high-quality communications services, including voice services, Internet access, broadband-enabled services, and video services for residential and business customers in each of our markets. We offer these services both on a standalone basis and as bundled packages that are designed to simplify customer purchasing decisions and to provide the customer with attractive pricing. We have skilled technicians and supervisors staffed in our local markets. Our call center operations and field technicians are staffed with 100% U.S.-based employees.

Our mission is to be the leader in providing communications services to residential and business customers in our markets. We are committed to delivering innovative and reliable products and solutions with an emphasis on convenience, service and customer satisfaction. We believe that our local engagement structure enables us to adapt our offerings and marketing to the needs of local markets and that our 100% U.S. based workforce and innovative product positioning will continue to differentiate us from our competitors in the markets in which we compete.

### **The Verizon Transaction**

On February 5, 2015, we entered into a Securities Purchase Agreement (the *Verizon Purchase Agreement* ) with Verizon Communications Inc. ( *Verizon* ) to acquire, among other things, Verizon's wireline business and statewide fiber networks that provide services to residential, commercial and wholesale customers in

## Table of Contents

California, Texas and Florida, along with certain of Verizon's FiOS customers in those states (the Verizon Transaction) for a purchase price of \$10.54 billion in cash and assumed debt, subject to certain adjustments specified in the Verizon Purchase Agreement. Pursuant to the Verizon Purchase Agreement, we will acquire all of the issued and outstanding limited liability company interests of a limited liability company to be formed by Verizon (Newco), which will hold the outstanding limited liability company interests and capital stock of Verizon Florida LLC, GTE Southwest Incorporated and Verizon California Inc. (collectively with Newco, the Verizon Transferred Companies). Prior to the closing under the Verizon Purchase Agreement, (i) Verizon will transfer to the Verizon Transferred Companies certain assets and cause the Verizon Transferred Companies to assume certain liabilities relating to the business to be acquired and (ii) the Verizon Transferred Companies will transfer to Verizon certain assets, and Verizon will assume certain liabilities of the Verizon Transferred Companies, to be retained by Verizon following the closing (the Verizon Transferred Companies, taking into account such transactions, being referred to as the Verizon Separate Telephone Operations or VSTO).

The Verizon assets complement our existing platform and position us well strategically. We believe that these assets offer attractive demographics because the operations we are acquiring from Verizon are in the three most populated states in the United States (California, Florida, and Texas) and they also have economic growth that is above the U.S. average. The network assets are high quality, with high fiber penetration approximately 54% of the footprint is FiOS-enabled allowing us to offer customers market-leading broadband speeds and very high-quality video products. The acquisition of the Verizon properties is aligned with our strategic focus on broadband as it will increase our broadband base by 2.2 million customers. We also anticipate potential for incremental growth with business customers, which we will pursue with carrier Ethernet products we have made available to business and other carrier customers within our existing footprint. We also anticipate there will be an opportunity to sell Frontier Secure, our security/technical support/identity protection suite, into customers within these new regions.

The VSTO generated operating revenues of approximately \$5.8 billion and net loss of approximately \$32 million for the fiscal year ended December 31, 2014, and operating revenues of approximately \$1.4 billion and net income of approximately \$88 million for the three months ended March 31, 2015. We would have generated, on a pro forma basis after giving effect to the Verizon Transaction and the Connecticut Acquisition, which was consummated on October 24, 2014, revenues of approximately \$11.5 billion and net loss of approximately \$126 million for the fiscal year ended December 31, 2014, and revenues of approximately \$2.8 billion and net loss of approximately \$96 million for the three months ended March 31, 2015. As of March 31, 2015, the VSTO had approximately 3.6 million voice, 2.2 million broadband and 1.2 million video connections. The Verizon Transaction will add approximately 11,000 employees to our Company. The consummation of the Verizon Transaction is subject to the satisfaction of certain conditions, including review or approval by various federal and state regulatory agencies and other closing conditions as more fully described in the Verizon Purchase Agreement. We currently expect the Verizon Transaction to close in the first half of 2016. There can be no assurance that we will be able to consummate the Verizon Transaction on a timely basis or at all. See Description of the Verizon Transaction.

On February 5, 2015, in connection with the execution of the Verizon Purchase Agreement, we entered into a commitment letter (the Commitment Letter), dated February 5, 2015, with JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. (such financial institutions being referred to as the Commitment Parties), pursuant to which the Commitment Parties have committed to provide two bridge loan facilities, initially for a total amount of \$11.594 billion, which amount was subsequently reduced by us to \$10.850 billion, for the purposes of funding

## **Table of Contents**

(i) the cash consideration for the Verizon Transaction and (ii) the fees and expenses incurred in connection with the transactions contemplated by the Verizon Purchase Agreement. The first bridge loan facility was initially in the amount of \$8.594 billion (the 8/10 Year Bridge Facility ), which amount was automatically reduced in accordance with its terms by \$744 million in connection with the effectiveness of certain amendments entered into on March 5, 2015 to our two outstanding credit agreements with CoBank, ACB and certain other lenders. The second bridge loan facility is in the amount of \$3.0 billion (the 18 Month Bridge Facility ). The commitments in respect of the 8/10 Year Bridge Facility and the 18 Month Bridge Facility will be automatically reduced, subject to certain exceptions and limitations, on a dollar-for-dollar basis by (x) the gross cash proceeds of any issuance of senior unsecured notes by Frontier (with such amounts being applied first to reduce the 8/10 Year Bridge Facility), (y) the net cash proceeds of the incurrence by Frontier of certain indebtedness for borrowed money (with such amounts being applied first to reduce the 8/10 Year Bridge Facility) and (z) the net cash proceeds from any issuance of equity by Frontier, including the proceeds from the concurrent offering and the sale of the securities in this offering (with such amounts being applied first to reduce the 18 Month Bridge Facility). The financing commitments of the Commitment Parties are currently undrawn and are subject to various conditions set forth in the Commitment Letter.

We intend to use the proceeds of this offering along with the proceeds of the concurrent offering to finance a portion of the cash consideration payable in connection with the Verizon Transaction and to pay related fees and expenses. The proceeds of this offering together with the proceeds of the concurrent offering will reduce the commitments under the 18 Month Bridge Facility. The balance of the financing in connection with the Verizon Transaction could take any of several forms or any combination of them, including but not limited to the following: (i) we may issue senior notes in the public and/or private capital markets; (ii) we may enter into one or more senior secured first lien term loan facilities; (iii) we may use cash on hand; and (iv) we may draw funds under the 18 Month Bridge Facility and the 8/10 Year Bridge Facility. We refer to the financing transactions relating to the Verizon Transactions, including this offering and the concurrent offering, as the Verizon Financing Transactions.

## **The Connecticut Acquisition**

On October 24, 2014, we acquired the wireline properties of AT&T Inc. ( AT&T ) in Connecticut by acquiring all of the issued and outstanding capital stock of The Southern New England Telephone Company and SNET America, Inc. (the Transferred AT&T Companies ) for a purchase price of \$2.0 billion in cash, excluding adjustments for working capital (the Connecticut Acquisition ), pursuant to a Stock Purchase Agreement, dated as of December 16, 2013 (the AT&T Purchase Agreement ). Prior to the closing of the Connecticut Acquisition, (i) AT&T transferred to the Transferred AT&T Companies certain assets and caused the Transferred AT&T Companies to assume certain liabilities relating to the business to be acquired and (ii) the Transferred AT&T Companies transferred to AT&T certain assets, and AT&T assumed certain liabilities of the Transferred AT&T Companies, to be retained by AT&T following the closing (the Transferred AT&T Companies, after giving effect to such transactions, are referred to herein as the Connecticut Operations ). The Company financed the Connecticut Acquisition using the net proceeds of an offering of \$1.55 billion aggregate principal amount of senior unsecured notes, borrowings of \$350 million under a term loan credit agreement and cash on hand (the Connecticut Financing Transactions ).

**Table of Contents****The offering**

*The summary below contains basic information about this offering. It does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus supplement and accompanying prospectus and the information included or incorporated and deemed to be incorporated by reference herein and therein before making an investment decision. As used in this section, the terms us, we and our refer to Frontier Communications Corporation and not to any of its subsidiaries.*

<b>Issuer</b>	Frontier Communications Corporation, a Delaware corporation.
<b>Securities offered</b>	17,500,000 shares of % Mandatory Convertible Preferred Stock.
<b>Number of shares of Mandatory Convertible Preferred Stock to be outstanding after this offering</b>	17,500,000 shares (or 19,250,000 shares if the underwriters exercise their overallotment option to purchase additional shares in full).
<b>Liquidation preference</b>	\$100.00 per share of Mandatory Convertible Preferred Stock, plus accumulated but unpaid dividends.
<b>Public offering price</b>	\$ per share of the Mandatory Convertible Preferred Stock.
<b>Underwriters option</b>	We have granted the underwriters a 30-day overallotment option to purchase up to 1,750,000 additional shares of the Mandatory Convertible Preferred Stock at the public offering price, less the underwriting discounts and commissions.
<b>Dividends</b>	<p>% of the initial liquidation preference of \$100.00 for each share of Mandatory Convertible Preferred Stock per annum. Dividends will accrue and accumulate from the date of issuance and, to the extent lawful and declared by our board of directors or an authorized committee thereof, will be paid on the last business day of each of March, June, September and December in cash or, at our election (subject to certain limitations), by delivery of any combination of cash and shares of our common stock. Dividends that are declared will be payable on the dividend payment dates to the holders of record of the Mandatory Convertible Preferred Stock on the 15<sup>th</sup> calendar day of the month in which such dividend payment falls (each, a record date ).</p> <p>The dividend payable on the first dividend payment date (September 30, 2015), if declared, is expected to be \$ per share of Mandatory Convertible Preferred Stock, and on each subsequent dividend payment date, if declared, will be \$ per share of Mandatory Convertible Preferred Stock. Accumulated and unpaid dividends for any past dividend period will not bear interest. See Description of Mandatory Convertible Preferred Stock Dividends.</p> <p>If we elect to make any such payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the average VWAP per share of our common stock (as defined under</p>

S-4

**Table of Contents**

Description of Mandatory Convertible Preferred Stock Definitions ) over the five consecutive trading day period commencing on and including the seventh scheduled trading day immediately preceding the applicable dividend payment date (the average price ), multiplied by 97%. In no event will the number of shares of our common stock delivered in connection with any declared dividend, including any declared dividend payable in connection with a conversion, exceed a number equal to the total dividend payment divided by \$ , which amount represents 35% of the initial price (as defined below), subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each fixed conversion rate (such dollar amount, as adjusted, the floor price ). To the extent that the amount of the declared dividend exceeds the product of the number of shares of our common stock delivered in connection with such declared dividend and 97% of the average price, we will, if we are legally able to do so, pay such excess amount in cash.

The last reported sale price of our common stock on the NASDAQ on June , 2015 was \$ (the initial price ).

**Dividend payment dates**

The last business day of each of March, June, September and December of each year, commencing on September 30, 2015 and to, and including, the mandatory conversion date.

**Ranking**

The Mandatory Convertible Preferred Stock will rank with respect to dividend rights and the rights to distribution of assets upon our liquidation, dissolution or winding-up:

senior to all of our common stock and to each other class of capital stock or series of preferred stock established after the issue date of the Mandatory Convertible Preferred Stock, the terms of which do not expressly provide that such class or series ranks senior to, or on a parity with, the Mandatory Convertible Preferred Stock as to dividend rights and/or rights to distribution of assets upon our liquidation, dissolution or winding-up;

equally with any class of capital stock or series of preferred stock established after the issue date, the terms of which expressly provide that such class or series will rank equally with the Mandatory Convertible Preferred Stock as to dividend rights and/or rights to distribution of assets upon our liquidation, dissolution or winding-up, in each case without regard to whether dividends accrue cumulatively or non-cumulatively;

junior to each class of capital stock or series of preferred stock established after the issue date, the terms of which expressly provide that such class or series will rank senior to the Mandatory Convertible Preferred Stock as to dividend rights and/or rights to distribution of assets upon our liquidation, dissolution or winding-up; and

junior to our and our subsidiaries existing and future indebtedness (including trade payables).

**Table of Contents**

For information concerning the ranking of the Mandatory Convertible Preferred Stock, see Description of Mandatory Convertible Preferred Stock Ranking.

In addition, the Mandatory Convertible Preferred Stock, with respect to dividend rights or rights to distribution of assets upon our liquidation, winding-up or dissolution, will be structurally subordinated to existing and future indebtedness of our subsidiaries.

As of March 31, 2015, on a pro forma basis to give effect to the Verizon Transaction and the other events described under Unaudited pro forma condensed combined financial information, we would have had a total of approximately \$18.6 billion of outstanding indebtedness, including long-term debt, short-term debt and long-term financial obligations. We have the ability to, and may incur, additional indebtedness in the future. See Unaudited pro forma condensed combined financial information.

**Acquisition termination redemption** If the Verizon Transaction has not closed on or before 5:00 p.m. (New York City time) on August 6, 2016, the Verizon Purchase Agreement is terminated or if we determine in our reasonable judgment that the Verizon Transaction will not occur, we may, at our option, in our sole discretion, give notice of acquisition termination redemption to the holders of the shares of Mandatory Convertible Preferred Stock. If we provide such notice, then, on the acquisition termination redemption date (as defined herein), we will be required to redeem the shares of Mandatory Convertible Preferred Stock, in whole but not in part, at a redemption amount per share of Mandatory Convertible Preferred Stock equal to the acquisition termination make-whole amount described herein.

If redeemed, we will pay the acquisition termination make-whole amount in cash unless the acquisition termination share price described herein is greater than the initial price. If the acquisition termination share price is greater than the initial price, we will pay the acquisition termination make-whole amount in shares of our common stock and cash, unless we elect, subject to certain limitations, to pay cash or shares of our common stock in lieu of such amounts. See Description of Mandatory Convertible Preferred Stock Acquisition termination redemption.

Other than pursuant to the provisions described in this prospectus supplement, the shares of Mandatory Convertible Preferred Stock will not be redeemable by us. See Description of Mandatory Convertible Preferred Stock Acquisition termination redemption.

**Mandatory Conversion Date** June 29, 2018.

**Mandatory conversion** Unless previously converted as described under Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder or Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder upon a



**Table of Contents**

fundamental change or redeemed as described under Description of Mandatory Convertible Preferred Stock Acquisition termination redemption, on the mandatory conversion date (subject to postponement in certain cases), each then outstanding share of the Mandatory Convertible Preferred Stock will automatically convert into a number of shares of our common stock based on the conversion rate described below. See Description of Mandatory Convertible Preferred Stock Conversion rights Mandatory conversion.

If we declare a dividend for the dividend period ending on the mandatory conversion date, we will pay such dividend to the holders presenting the Mandatory Convertible Preferred Stock for conversion. If, prior to the mandatory conversion date, we have not declared and paid all or any portion of the accumulated dividends on the Mandatory Convertible Preferred Stock, the conversion rate will be adjusted so that holders receive an additional number of shares of our common stock equal to the amount of such accumulated dividends (such amount, the additional conversion amount ) divided by the greater of the floor price and 97% of the average price with respect to the dividend payment date falling on June 29, 2018. To the extent that the additional conversion amount exceeds the product of the number of additional shares and 97% of the average price, we will, if we are legally able to do so, declare and pay such excess amount in cash pro rata to the holders of the Mandatory Convertible Preferred Stock. The conversion rate for each share of the Mandatory Convertible Preferred Stock will be not more than \_\_\_\_\_ shares of our common stock and not less than \_\_\_\_\_ shares of our common stock (the maximum conversion rate and minimum conversion rate, respectively), depending on the applicable market value (as defined below) of our common stock, subject to certain anti-dilution adjustments.

**Mandatory conversion rate**

The applicable market value of our common stock is the average VWAP per share of our common stock for the 20 consecutive trading day period commencing on and including the 22nd scheduled trading day immediately preceding June 29, 2018.

**Table of Contents**

The following table illustrates the conversion rate per share of the Mandatory Convertible Preferred Stock, subject to adjustment as described under Description of Mandatory Convertible Preferred Stock Conversion rights Conversion rate adjustments, in this prospectus supplement, based on the applicable market value of our common stock on the mandatory conversion date (subject to postponement in certain cases):

<b>Applicable Market Value of our Common Stock on the Mandatory Conversion Date</b>	<b>Conversion Rate Per Share of the Mandatory Convertible Preferred Stock</b>
Less than or equal to \$ (which is the initial price).	shares of our common stock.
Greater than \$ and less than \$ (the threshold appreciation price ).	Between and shares, determined by dividing \$ by the applicable market value of our common stock.
Equal to or greater than the threshold appreciation price.	shares of our common stock.

**Early conversion at the option of the holder** At any time prior to June 29, 2018, other than during a fundamental change conversion period (as defined below), a holder of shares of the Mandatory Convertible Preferred Stock may elect to convert such holder's shares of Mandatory Convertible Preferred Stock, in whole or in part, into shares of our common stock, at the minimum conversion rate of shares of our common stock per share of the Mandatory Convertible Preferred Stock, subject to certain anti-dilution adjustments. See Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder in this prospectus supplement.

If, as of the effective date of any early conversion (the early conversion date ), we have not declared all or any portion of the accumulated dividends for all dividend periods ending on a dividend payment date prior to such early conversion date, the conversion rate for such early conversion will be adjusted so that holders converting their Mandatory Convertible Preferred Stock at such time receive an additional number of shares of our common stock equal to such amount of accumulated and unpaid dividends for such prior dividend periods, divided by the greater of the floor price and the average VWAP per share of our common stock over the 20 consecutive trading day period commencing on and including the 22nd scheduled trading day immediately preceding the early conversion date (the early conversion average price ). To the extent that the cash amount of the accumulated and unpaid dividends for all dividend periods ending on a dividend payment date prior to the relevant conversion date exceeds the value of the product of the number of additional shares added to the conversion rate and the early conversion average price, we will not have any obligation to pay the shortfall in cash.

**Table of Contents**

**Early conversion at the option of the holder upon a fundamental change** Upon the occurrence of a fundamental change (as defined under Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder upon a fundamental change ) prior to June 29, 2018, under certain circumstances we will deliver or pay to holders who convert their shares of the Mandatory Convertible Preferred Stock during the period from, and including, the effective date of the fundamental change to, but excluding, the earlier of (A) the mandatory conversion date and (B) the date selected by us that is not less than 30 and not more than 60 days after the effective date of such fundamental change (the fundamental change conversion period ), a number of shares of our common stock or, if the fundamental change also constitutes a reorganization event, units of exchange property (as defined under Description of Mandatory Convertible Preferred Stock Recapitalizations, reclassifications and changes of our common Stock), determined using the applicable fundamental change conversion rate. The fundamental change conversion rate will be determined based on the effective date of the fundamental change and the price per share of our common stock paid or deemed paid in such fundamental change (the stock price ).

Holders who convert their Mandatory Convertible Preferred Stock within the fundamental change conversion period will also receive a fundamental change dividend make-whole amount, in cash or in shares of our common stock or a combination thereof, equal to the present value (computed using a discount rate of % per annum) of all remaining dividend payments on their shares of the Mandatory Convertible Preferred Stock (excluding any accumulated and unpaid dividends for all dividend periods ending on or prior to the dividend payment date immediately preceding the effective date of the fundamental change as well as dividends accumulated to the effective date of the fundamental change) from such effective date to, but excluding, the mandatory conversion date. If we elect to pay the fundamental change dividend make-whole amount in shares of our common stock in lieu of cash, the number of shares of our common stock that we will deliver will equal (x) the fundamental change dividend make-whole amount divided by (y) the greater of the floor price and 97% of the stock price.

In addition, to the extent that, as of the effective date of the fundamental change, we have not declared any or all of the accumulated dividends on the Mandatory Convertible Preferred Stock as of such effective date (including accumulated and unpaid dividends for all dividend periods ending on or prior to the dividend payment date immediately preceding the effective date of the fundamental change as well as dividends accumulated to the effective date of the fundamental change, the accumulated dividend amount ), upon conversion, we will pay or deliver, as the case may be, such accumulated dividend amount in cash (to the extent we are legally permitted to do so) or shares of our common stock, or any combination thereof at our election, to holders who convert Mandatory Convertible Preferred Stock within the fundamental change conversion period. If we elect to pay the accumulated dividend amount in shares

**Table of Contents**

of our common stock in lieu of cash, the number of shares of our common stock that we will deliver will equal (x) the accumulated dividend amount divided by (y) the greater of the floor price and 97% of the stock price.

To the extent that the sum of the fundamental change dividend make-whole amount and accumulated dividend amount or any portion thereof paid in shares of our common stock exceeds the product of the number of additional shares we deliver in respect thereof and 97% of the stock price, we will, if we are legally able to do so, declare and pay such excess amount in cash. See Description of Mandatory Convertible Preferred Stock Conversion rights Conversion at the option of the holder upon a fundamental change Fundamental change dividend make-whole amount and accumulated dividend amount.

**Fundamental change**

A fundamental change will be deemed to have occurred, at such time after the initial issue date of the Mandatory Convertible Preferred Stock, upon: (i) any person or group (within the meaning of Sections 13(d) of the Securities Exchange Act of 1934, or Exchange Act ) filing a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of our common equity representing more than 50% of the voting power of our common equity; (ii) the consummation of any recapitalization, reclassification, change of our common stock (subject to certain exceptions), share exchange, consolidation or merger as a result of which our common stock would be converted into, exchanged for or represent solely the right to receive stock, other securities, other property or assets or any sale, lease or other transfer of all or substantially all of our assets to another person (other than in each case, a transaction in which at least 90% of the consideration received or to be received by our common stockholders consists of common stock that is listed on, or immediately after the transaction or event will be listed on, any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market or any of their respective successors); (iii) our stockholders approve any plan for our liquidation or dissolution or (iv) our common stock (or, following a reorganization event (as defined herein), any common stock, depositary receipts or other securities representing common equity interests into which the Mandatory Convertible Preferred Stock becomes convertible in connection with such reorganization event) ceases to be listed for trading on the New York Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market (or any of their respective successors) or another U.S. national securities exchange.

**Conversion rate adjustments**

Each of the minimum conversion rate, the maximum conversion rate, the initial price, the threshold appreciation price, the floor price, the applicable market value, the fundamental change conversion rate and the stock price for purposes of a fundamental change, among other terms, will be adjusted upon the occurrence of certain events and transactions. See Description of Mandatory Convertible Preferred Stock Conversion rights Conversion rate adjustments.

**Table of Contents**

**Voting rights**

Except as required by law or our Restated Certificate of Incorporation, as amended (our Certificate of Incorporation ), which will include the Certificate of Designations (as defined under Description of Mandatory Convertible Preferred Stock ) for the Mandatory Convertible Preferred Stock, the Mandatory Convertible Preferred Stock will have no voting rights.

Whenever, at any time or times, dividends payable on the shares of the Mandatory Convertible Preferred Stock have not been paid for an aggregate of six or more dividend periods, whether or not consecutive, the holders of the Mandatory Convertible Preferred Stock will have the right (voting separately as a class with all other parity stock upon which like voting rights have been conferred and are exercisable (voting in proportion to their respective liquidation preferences)) to elect two directors to our board of directors at the next annual meeting or special meeting of our stockholders and at each subsequent annual meeting or special meeting of our stockholders until all accumulated and unpaid dividends have been paid in full or fully set aside for payment on the Mandatory Convertible Preferred Stock.

The affirmative consent of holders of at least two-thirds in voting power of the outstanding shares of the Mandatory Convertible Preferred Stock and all other preferred stock or securities of equal ranking having similar voting rights (voting in proportion to their respective liquidation preferences) will be required for certain matters which may impact the Mandatory Convertible Preferred Stock, but not necessarily all such matters. For more information about voting rights, see Description of Mandatory Convertible Preferred Stock Voting rights.

**Use of proceeds**

We estimate that the net proceeds from this offering will be approximately \$ billion (or approximately \$ billion if the underwriters exercise their option to purchase additional shares of Mandatory Convertible Preferred Stock in full), after deducting the underwriters' discounts and commissions and estimated offering expenses.

We intend to use the proceeds of this offering along with the proceeds of the concurrent offering to finance a portion of the cash consideration payable in connection with the Verizon Transaction and to pay related fees and expenses. See Description of the Verizon Transaction and Use of proceeds.

Neither this offering nor the concurrent offering is conditioned on the consummation of the Verizon Transaction, and there can be no assurance that the Verizon Transaction will be consummated on the terms described herein or at all. If the Verizon Transaction is not consummated, we intend to use the proceeds of this offering and the proceeds of the concurrent offering, net of certain fees and expenses and net of the aggregate redemption amount paid in cash if we choose to exercise our acquisition termination option to redeem all of the Mandatory Convertible Preferred Stock offered hereby, for general corporate purposes, which may include share repurchases, acquisitions or debt repayment.

**Table of Contents**

**U.S. federal income tax considerations**                      The U.S. federal income tax considerations of owning and disposing of the Mandatory Convertible Preferred Stock and any common stock received upon its conversion are described in U.S. federal income tax considerations. Prospective investors are urged to consult their tax advisors regarding the tax considerations of owning and disposing of the Mandatory Convertible Preferred Stock and any common stock received upon its conversion in light of their personal investment circumstances.

**Book-entry delivery and form**                      Initially, the Mandatory Convertible Preferred Stock will be represented by one or more permanent global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of DTC. See Description of Mandatory Convertible Preferred Stock Book Entry, Delivery and Form. Beneficial interests in the permanent global certificates will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

**Listing**    We intend to apply to list the Mandatory Convertible Preferred Stock on the NASDAQ under the symbol FTRPR . Our common stock is listed on the NASDAQ under the symbol FTR.

**Concurrent offering**                                      Concurrently with this offering, we are offering, by means of a separate prospectus supplement, \_\_\_\_\_ shares of our common stock for aggregate gross proceeds to us of \$750.0 million, plus up to an additional \_\_\_\_\_ shares of our common stock (10% of the base offering size) that the underwriters of such offering have the option to purchase from us, in each case, at the actual public offering price of \$ \_\_\_\_\_ per share of common stock.

**Transfer agent and registrar**                      Computershare Trust Company, N.A. is the transfer agent and registrar for the Mandatory Convertible Preferred Stock.  
Immediately after the consummation of the concurrent offering, we will have 1,150,945,795 shares of our common stock outstanding, based on 1,003,308,000 shares of our common stock outstanding as of May 1, 2015 plus the 147,637,795 shares that we are offering in the concurrent offering (based on the last reported sale price of our common stock on the NASDAQ on June 1, 2015 of \$5.08 per share), but excluding:

14,763,779 shares of our common stock issuable on the exercise of the underwriters' option to purchase additional shares of our common stock in the concurrent offering (based on the last reported sale price of our common stock on the NASDAQ on June 1, 2015 of \$5.08 per share);

\_\_\_\_\_ shares of our common stock issuable upon conversion of the Mandatory Convertible Preferred Stock issued in this offering; and

an aggregate of approximately 12,580,000 shares of our common stock reserved for issuance under our various share compensation plans as of March 31, 2015.

**Table of Contents**

Except as otherwise noted, all information in this prospectus supplement assumes that the underwriters' overallotment option to purchase additional shares of Mandatory Convertible Preferred Stock is not exercised in this offering and the underwriters in the concurrent offering do not exercise their option to purchase additional shares of our common stock in the concurrent offering.

**Risk factors**

In evaluating an investment in the Mandatory Convertible Preferred Stock, prospective investors should carefully consider the risk factors and other cautionary statements contained in this prospectus supplement, including those described under "Supplemental risk factors" beginning on page S-21, as well as the risk factors described in Part I, Item 1A "Risk Factors" in our annual report on Form 10-K for the fiscal year ended December 31, 2014, along with the other information set forth or incorporated by reference in this prospectus supplement.

**Table of Contents****Summary historical consolidated financial information of Frontier**

The following summary historical consolidated financial information as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 has been derived from our unaudited interim consolidated financial statements incorporated by reference into this prospectus supplement and the accompanying prospectus. In the opinion of our management, all adjustments considered necessary for a fair presentation of such interim financial information have been included. The following summary historical consolidated financial information as of December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014 has been derived from our audited consolidated financial statements incorporated by reference into this prospectus supplement and the accompanying prospectus. The following summary historical consolidated financial information as of December 31, 2012 has been derived from our audited consolidated financial statements not included or incorporated by reference into this prospectus supplement and the accompanying prospectus. Our operating results for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for any future periods.

On October 24, 2014, we completed the Connecticut Acquisition. Accordingly, our operating results for the periods following the Connecticut Acquisition may not be comparable to the periods prior to the Connecticut Acquisition.

This information is only a summary and should be read in conjunction with our management's discussion and analysis of financial condition and results of operations incorporated by reference into this prospectus supplement and the accompanying prospectus and the historical consolidated financial statements and the notes thereto referred to above. See [Where you can find more information](#) and [Incorporation of certain documents by reference](#) in this prospectus supplement and the accompanying prospectus.

(\$ in millions)	Three months ended		Year ended December 31,		
	2015	2014	2014	2013	2012
	March 31,				
	(unaudited)				
<b>Statement of Operations Information:</b>					
Revenue	\$ 1,371	\$ 1,154	\$ 4,772	\$ 4,762	\$ 5,012
Total operating expenses	1,208	928	3,953	3,795	4,025
Gain on sale of Mohave partnership interest				15	
Operating income	163	226	820	981	987
Income (loss) from continuing operations	(51)	39	133	115	153
Net income (loss) attributable to common shareholders of Frontier	(51)	39	133	113	137
<b>Other Financial Information:</b>					
Capital expenditures(1)	180	145	688	635	803
Adjusted EBITDA(2)	564	521	2,084	2,238	2,396



**Table of Contents**

	<b>As of March 31, 2015 (unaudited)</b>	<b>As of December 31, 2014      2013      2012</b>		
<b>Balance Sheet Information (\$ in millions):</b>				
Total assets	\$ 18,721	\$ 18,974	\$ 16,635	\$ 17,734
Long-term debt	9,464	9,486	7,874	8,382
Total shareholders' equity of Frontier	3,507	3,658	4,055	4,108
<b>Operating Information (in thousands):</b>				
Customers	3,500	3,516	3,074	3,173
Broadband subscribers	2,387	2,370	1,867	1,754
Video subscribers	578	585	385	347

(1) Includes capital expenditures related to integration activities in connection with the Connecticut Acquisition of \$10 million for the three months ended March 31, 2015 and 2014 and \$116 million for the year ended December 31, 2014. Also includes capital expenditures relating to integration activities in connection with certain businesses acquired from Verizon in 2010 of \$54 million for the year ended December 31, 2012.

(2) Adjusted EBITDA is a non-GAAP (as defined herein) financial measure which we define as operating income plus depreciation and amortization, as adjusted to add back acquisition and integration costs, non-cash pension/pension and other postretirement benefit ( OPEB ) costs, severance costs, pension settlement costs and gains/losses on the sale of certain assets. A reconciliation of the differences between Adjusted EBITDA and the most comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ( GAAP ) is set forth below. Adjusted EBITDA is not a measure of financial performance under GAAP and is not an alternative to operating income or net income, as reflected in the statement of operations, or to cash flows, as reflected in the statement of cash flows, and it is not necessarily indicative of cash available to fund all cash needs. Adjusted EBITDA as used by us may not be comparable to similarly titled measures of other companies.

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

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

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

The following are the components of Adjusted EBITDA for the three months ended March 31, 2015 and 2014 and for each of the years in the three-year period ended December 31, 2014.

(\$ in millions)	<b>Three months ended</b>		<b>Year ended December 31,</b>		
	<b>March 31, 2015</b>	<b>2014 (unaudited)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Operating income	\$ 163	\$ 226	\$ 820	\$ 981	\$ 987
Depreciation and amortization	341	281	1,139	1,169	1,267
	504	507	1,959	2,150	2,254
<b>Add back (deduct):</b>					
Acquisition and integration costs	57	11	141	10	82
Non-cash pension/OPEB costs	2	3	(18)	37	28

## Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 424B2

Severance costs	1	2	12	32
Pension settlement costs			44	
Gain on sale of Mohave partnership interest(a)			(15)	
Adjusted EBITDA	\$ 564	\$ 521	\$ 2,084	\$ 2,238
				\$ 2,396

- (a) On April 1, 2013, we sold our 33 <sup>1</sup>/<sub>3</sub>% interest in the Mohave Cellular Limited Partnership, in which we were the general partner. We received proceeds from the sale of \$18 million and recognized a gain on the sale of \$15 million before taxes.

S-15

Table of Contents**Summary historical combined financial information of the VSTO**

The following summary historical combined financial information as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 has been derived from the unaudited interim combined financial statements of the VSTO incorporated by reference into this prospectus supplement and the accompanying prospectus. In the opinion of our management, all adjustments considered necessary for a fair presentation of such interim financial information have been included. The following summary historical combined financial information as of December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014 has been derived from the audited consolidated financial statements of the VSTO incorporated by reference into this prospectus supplement and the accompanying prospectus.

The financial and operating information of the VSTO reflects the combined financial information of Verizon's Separate Telephone Operations in California, Florida and Texas (which consists of all or a portion of Verizon Florida LLC, GTE Southwest Incorporated and Verizon California Inc., Verizon Long Distance LLC, Verizon Enterprise Solutions LLC, Verizon Online LLC, Verizon Select Services, Inc. and Verizon Network Integration Corp.) and does not give effect to certain assets and liabilities relating to the business to be contributed by Verizon to these entities in connection with the Verizon Transaction, or to certain assets and liabilities unrelated to the business that will be transferred by these entities to Verizon in connection with the Verizon Transaction. Additionally, this information does not give effect to any potential cost savings or other operating efficiencies that would result in connection with the Verizon Transaction.

This information is only a summary and should be read in conjunction with the historical combined financial statements of the VSTO and the notes thereto referred to above. See [Where you can find more information](#) and [Incorporation of certain documents by reference](#) in this prospectus supplement and the accompanying prospectus.

The following summary historical combined financial information and the combined financial statements of the VSTO have been prepared on a carve-out basis in accordance with GAAP and reflect the historical financial position, results of operations and cash flows of the VSTO for the periods presented, including assumptions and allocations made by Verizon to separate the VSTO on a stand-alone basis. As a result, the following summary historical combined financial information and the combined financial statements of the VSTO may not be indicative of the financial position, results of operations and cash flows that would have been presented if the VSTO had been a stand-alone entity. The summary historical financial information does not purport to be indicative of what the results of operations, financial position and cash flows of the VSTO will be in the future.

(\$ in millions)	Three months		Year ended December 31,		
	ended March 31, 2015	2014 (unaudited)	2014	2013	2012
<b>Statement of Operations Information:</b>					
Operating revenues(1)	\$ 1,448	\$ 1,469	\$ 5,791	\$ 5,824	\$ 5,908
Total operating expenses(2)	1,296	1,304	5,801	4,919	6,169
Income (loss) from operations	152	165	(10)	905	(261)
Net income (loss) and comprehensive income (loss)	88	91	(32)	502	(217)
<b>Other Financial Information:</b>					
Capital expenditures (including capitalized software)(3)	174	177	810	842	807

**Table of Contents**

(\$ in millions)	As of March 31, 2015 (unaudited)	As of December 31, 2014	2013
<b>Balance Sheet Information:</b>			
Total assets	\$ 12,116	\$ 12,222	\$ 12,598
Total current liabilities	1,496	1,672	2,102
Total liabilities	6,928	7,109	7,355
Parent funding	5,188	5,113	5,243

- (1) Includes affiliate revenue of \$153 million and \$140 million for the three months ended March 31, 2015 and 2014, respectively, and \$344 million, \$401 million and \$427 million for the years ended December 31, 2014, 2013 and 2012, respectively.
- (2) Includes allocated affiliate costs of \$597 million and \$555 million for the three months ended March 31, 2015 and 2014, respectively, and \$2,210 million, \$1,869 million and \$2,107 million for the years ended December 31, 2014, 2013 and 2012, respectively.
- (3) Does not include the purchase of approximately \$19 million and \$44 million of long-lived assets, consisting primarily of network equipment, purchased in the three months ended March 31, 2015 and the year ended December 31, 2014, respectively, primarily through vendor financing arrangements, of which \$60 million and \$43 million remain outstanding as of March 31, 2015 and December 31, 2014, respectively.

---

**Table of Contents****Summary unaudited pro forma condensed combined financial information**

The following summary unaudited pro forma condensed combined balance sheet information as of March 31, 2015 is based upon (i) the historical consolidated financial information of Frontier and (ii) the historical combined financial information of the VSTO, and has been prepared to reflect the Verizon Transaction based on the acquisition method of accounting. The following summary unaudited pro forma condensed combined statement of operations information for the three months ended March 31, 2015 is based upon (i) the historical consolidated financial information of Frontier and (ii) the historical combined financial information of the VSTO, and has been prepared to reflect the Verizon Transaction based on the acquisition method of accounting. The following summary unaudited pro forma condensed combined statement of operations information for the year ended December 31, 2014 is based upon (i) the historical consolidated financial information of Frontier, (ii) the historical combined financial information of the VSTO and (iii) the historical combined financial information of the Connecticut Operations for the period of January 1, 2014 through October 24, 2014, and has been prepared to reflect the Verizon Transaction and the Connecticut Operations based on the acquisition method of accounting. The summary unaudited pro forma condensed combined statement of operations information for the year ended December 31, 2014 includes the results of the Connecticut Operations for the period of January 1, 2014 through October 24, 2014. The summary unaudited pro forma condensed combined financial information presents the combination of the historical financial statements of Frontier and the historical financial statements of the VSTO, adjusted to give effect to (1) the transfer of specified assets and liabilities from Verizon to the VSTO that are not included in the VSTO historical balance sheet as of March 31, 2015, and the retention of specified assets and liabilities by Verizon that are included in the VSTO historical balance sheet as of March 31, 2015, (2) the financing to fund the cash payment to Verizon for the purchase price, (3) the payment by Frontier to Verizon of \$10.54 billion in cash and assumed debt (excluding any potential working capital purchase price adjustment as set forth in the Verizon Purchase Agreement) and (4) the consummation of the transactions contemplated by the Verizon Purchase Agreement, with Frontier considered the accounting acquirer, based on the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information. The historical financial information has been adjusted to give effect to events that are directly attributable to the Verizon Transaction and factually supportable and, in the case of the statement of operations information, that are expected to have a continuing impact.

The summary unaudited pro forma condensed combined balance sheet information has been prepared as of March 31, 2015, and gives effect to the Verizon Transaction and other events described above as if they had occurred on that date. The summary unaudited pro forma condensed combined statement of operations information, which has been prepared for the year ended December 31, 2014 and three months ended March 31, 2015, gives effect to the Verizon Transaction and other events described above as if they had occurred on January 1, 2014.

On October 24, 2014, we acquired the wireline properties of AT&T in Connecticut by acquiring all of the issued and outstanding capital stock of Transferred AT&T Companies for a purchase price of \$2.0 billion in cash, excluding adjustments for working capital, pursuant to the AT&T Purchase Agreement. Prior to the closing of the Connecticut Acquisition, (i) AT&T transferred to the Transferred AT&T Companies certain assets and caused the Transferred AT&T Companies to assume certain liabilities relating to the business to be acquired and (ii) the Transferred AT&T Companies transferred to AT&T certain assets, and AT&T assumed certain liabilities of the Transferred AT&T Companies, to be retained by AT&T following the closing. The Company financed the Connecticut Acquisition using the net proceeds of an offering of \$1.55 billion aggregate principal amount of

**Table of Contents**

senior unsecured notes, borrowings of \$350 million under a term loan credit agreement and cash on hand. The summary unaudited pro forma condensed combined statement of operations information for the year ended December 31, 2014 gives effect to the Connecticut Acquisition as if it had occurred on January 1, 2014.

The summary unaudited pro forma condensed combined financial information was prepared using, and should be read in conjunction with, (1) the audited combined financial statements of the VSTO for the year ended December 31, 2014, (2) the unaudited interim condensed combined financial statements of the VSTO as of and for the three months ended March 31, 2015, (3) the unaudited interim condensed combined financial statements of the Connecticut Operations for the nine months ended September 30, 2014, (4) the audited consolidated financial statements of Frontier for the year ended December 31, 2014, and (5) the unaudited interim condensed consolidated financial statements of Frontier as of and for the three months ended March 31, 2015.

The summary unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the Verizon Transaction and other events described above been completed at the dates indicated above. In addition, the summary unaudited pro forma condensed combined financial information does not purport to project the future results of operations of Frontier after completion of the Verizon Transaction and the other events described above. In the opinion of Frontier's management, all adjustments considered necessary for a fair presentation have been included.

The summary unaudited pro forma condensed combined financial information does not give effect to any potential cost savings or other operating efficiencies that could result from the Connecticut Acquisition, other than an annualized run rate of \$165 million of synergies that were achieved by year-end 2014 subsequent to the closing of the Connecticut Acquisition and which are reflected in our operating results for the year ended December 31, 2014 and an annualized run rate of \$230 million of synergies that are reflected in our operating results for the quarter ended March 31, 2015.

The summary unaudited pro forma condensed combined financial information also does not give effect to any potential cost savings or other operating efficiencies that could result from the Verizon Transaction. We expect to realize \$525 million of annual cost synergies following the consummation of the Verizon Transaction, and an additional \$175 million of annual cost synergies by the end of the third year following the consummation of the Verizon Transaction.

The anticipated synergies that we refer to above are based on estimates and assumptions that we consider to be reasonable but that are uncertain. Our anticipated synergies are subject to significant business, economic, regulatory and competitive uncertainties and contingencies.

In addition, the fair value of the assets acquired and liabilities assumed are based upon estimates. The final purchase price allocation is dependent upon valuations and other studies that have not yet been completed. Accordingly, the purchase price allocation pro forma adjustments are preliminary and are subject to further adjustments as additional information becomes available and additional analyses are performed, and each further adjustment may be material. Such adjustments have been made solely for the purpose of providing unaudited pro forma condensed combined financial information.

**Table of Contents**

(\$ in millions, except per share amounts)	Three months ended March 31, 2015	Year ended December 31, 2014 (unaudited)
<b>Statement of Operations Information:</b>		
Revenue	\$ 2,796	\$ 11,479
Operating income	287	1,188
Net income (loss)	(102)	(148)
Basic and diluted net income (loss) per common share	(0.13)	(0.30)
<b>Other Financial Information:</b>		
Capital expenditures	344	1,511
Adjusted EBITDA(1)	988	4,034

(\$ in millions)	As of March 31, 2015 (unaudited)
<b>Balance Sheet Information:</b>	
Property, plant and equipment, net	\$ 16,603
Goodwill	7,436
Total assets	30,555
Long-term debt	18,408
Total equity	5,768

- (1) The following are the components of pro forma Adjusted EBITDA for the three months ended March 31, 2015 and the year ended December 31, 2014, as calculated by Frontier. Neither Verizon nor the VSTO have historically used Adjusted EBITDA in connection with the management of the VSTO. For an explanation of Frontier's presentation and use of Adjusted EBITDA, see footnote (2) under Summary historical consolidated financial information of Frontier.

(\$ in millions)	Three months ended March 31, 2015	Year ended December 31, 2014 (unaudited)
Operating income	\$ 287	\$ 1,188
Depreciation and amortization	689	2,795
	976	3,983
<b>Add back (deduct):</b>		
Severance costs of Frontier	1	2
Non-cash pension/OPEB costs of Frontier	2	(18)
Severance costs of VSTO	3	26
Non-cash pension costs of VSTO	6	30
Non-cash pension/OPEB costs of Connecticut Operations	-	11
Adjusted EBITDA	\$ 988	\$ 4,034

**Table of Contents**

## **Supplemental risk factors**

*You should carefully consider the risks described below in addition to the risks described in **Risk Factors** in the accompanying prospectus and in any free writing prospectus with respect to the offering filed by us with the SEC, as well as in **Part I, Item 1A. Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2014 (as such risk factors may be updated from time to time in our public filings), which is incorporated by reference into this prospectus supplement and the accompanying prospectus, as well as the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, before investing in the securities offered hereby. See **Where you can find more information** and **Incorporation of certain documents by reference**. You could lose part or all of your investment.*

### **Risks related to the Verizon Transaction**

*The Verizon Transaction may not be consummated on the terms or timeline currently contemplated, or at all.*

The consummation of the Verizon Transaction is subject to certain conditions, including (i) the absence of a court or other governmental order prohibiting consummation of the transaction, (ii) the receipt of applicable regulatory consents, (iii) the absence of a material adverse effect on the business to be acquired from Verizon and (iv) other customary closing conditions. See **Description of the Verizon Transaction**. We can make no assurances that the Verizon Transaction will be consummated on the terms or timeline currently contemplated, or at all. We have expended and will continue to expend a significant amount of capital and management's time and resources on the Verizon Transaction, and a failure to consummate the Verizon Transaction as currently contemplated, or at all, could have an adverse effect on our business, our results of operations and our cash flows.

In addition, we may choose to raise all or a portion of the additional financing required to complete the Verizon Transaction prior to the closing of such transaction. If the Verizon Transaction is ultimately not consummated or is delayed for a significant period of time, we could be obligated to pay significant interest expense, additional dividends and other costs in connection with the financing without achieving the expected benefits of the Verizon Transaction. The trading price of our securities could be adversely affected if the Verizon Transaction is not consummated as currently contemplated, or at all. Neither this offering nor the concurrent offering is conditioned upon the completion of the Verizon Transaction.

*Our effort to combine our business and the business to be acquired from Verizon may not be successful.*

We are devoting a significant amount of time and attention to the process of integrating the operations of our business and the business to be acquired from Verizon, which may decrease the time that management will have to serve existing customers, attract new customers and develop new services or strategies. The size and complexity of the acquired business and the process of using our existing common support functions and systems to manage the acquired business after the acquisition, if not managed and completed successfully by management, may result in interruptions of the business activities of the Company that could have an adverse effect on our business, financial condition and results of operations. In addition, following the consummation of the Verizon Transaction we will be assuming certain liabilities and obligations of Verizon, including with respect to certain litigation and regulatory matters, the outcome of which could have an adverse impact on our business, financial condition and results of operations if determined adversely to us following the consummation of the Verizon Transaction.



## **Table of Contents**

*We may not realize the cost synergies that are anticipated from the Verizon Transaction.*

The success of the Verizon Transaction will depend, in part, on our ability to realize anticipated cost synergies. Our success in realizing these cost synergies, and the timing of this realization, depends on the successful integration of our business and operations with the acquired business and operations. Even if we are able to integrate the acquired businesses and operations successfully, this integration may not result in the realization of the full benefits of the cost synergies that we currently expect within the anticipated time frame or at all.

*If the assets included in the business to be purchased from Verizon are insufficient to operate the acquired business, it could adversely affect the Company's business, financial condition and results of operations.*

Pursuant to the Verizon Purchase Agreement, Verizon will contribute to the acquired business certain assets and liabilities of its local exchange business and related landline activities in California, Florida and Texas, including video, broadband internet and switched long distance services provided to designated customers located in those states. However, the contributed assets may not be sufficient to operate all aspects of the acquired business and we may have to use assets or resources from our existing business or acquire additional assets in order to operate the acquired business, which could cost us more than we anticipate.

*The Company's business, financial condition and results of operations may be adversely affected following consummation of the Verizon Transaction if we are not able to obtain requisite consents or enter into certain agreements.*

The products and services of the acquired business are currently provided by Verizon to certain customers pursuant to master agreements, together with other Verizon products or services. Pursuant to the Verizon Purchase Agreement, we and Verizon have jointly agreed to use our reasonable best efforts for six months following the consummation of the Verizon Transaction to obtain any consents required to separate from such master agreements and assign to Frontier the portion thereof related to the acquired business. To the extent that the parties are not able to obtain any such required consent, such contracts will not be assigned to us and we may not be able to establish a direct relationship with such customers.

*Regulatory agencies may delay approval of the Verizon Transaction, fail to approve it, or approve it in a manner that may diminish the anticipated benefits of the Verizon Transaction.*

Completion of the Verizon Transaction is conditioned upon the receipt of certain government consents, approvals, orders and authorizations. While we intend to pursue vigorously all required governmental approvals and do not know of any reason why we would not be able to obtain the necessary approvals in a timely manner, the requirement to receive these approvals before completion of the Verizon Transaction could delay its completion. A lengthy delay in the completion of the Verizon Transaction could diminish the anticipated benefits and/or result in additional transaction and financing costs, loss of revenues or other effects associated with uncertainty about the transaction. In addition, until the Verizon Transaction is completed, the attention of our management may be unnecessarily diverted from ongoing business and regular business responsibilities.

Further, governmental agencies may decline to grant required approvals, or they may impose conditions on their approval of the Verizon Transaction that could have an adverse effect on our business, financial condition and results of operations. If certain governmental agencies decline to grant any required approval for the Verizon Transaction, the Verizon Transaction may not be consummated. In addition, conditions imposed by governmental agencies in connection with their approval of the Verizon Transaction (such as service quality or capital expenditure requirements) may restrict our ability to achieve anticipated synergies, revenues and cash flows.

## **Table of Contents**

***The Verizon Purchase Agreement contains provisions that may discourage other companies from trying to acquire Frontier.***

The Verizon Purchase Agreement contains provisions that may discourage a third party from submitting a business combination proposal to us prior to the closing of the Verizon Transaction that might result in greater value to our stockholders than the Verizon Transaction. The Verizon Purchase Agreement provides that we may not sell all or substantially all of our assets unless the buyer assumes in writing our obligations, including the payment of the purchase price, under the Verizon Purchase Agreement. This would represent an additional cost for a potential third party seeking a business combination with us.

***The trading price of our common stock and the trading price of the Mandatory Convertible Preferred Stock may be adversely affected if we are unable to consummate the Verizon Transaction.***

If the Verizon Transaction is not completed for any reason, the trading price of our common stock and the trading price of the Mandatory Convertible Preferred Stock may decline to the extent that the market price of such securities reflects positive market assumptions that the Verizon Transaction will be completed and the related benefits will be realized. We may also be subject to additional risks if the Verizon Transaction is not completed, including:

significant costs related to the transaction, such as legal, accounting, filing, financial advisory, and integration costs that have already been incurred or will continue up to closing. While the Company currently expects that it will incur approximately \$450 million of operating expenses and capital expenditures in total related to acquisition and integration activities in 2015 and 2016 associated with the Verizon Transaction, the amount of such operating expenses and capital expenditures may increase based on a variety of factors;

additional dividend costs as a result of this offering and the concurrent offering;

if Frontier completes a financing of debt securities prior to closing the Verizon Transaction, significant interest expense and potential redemption premiums with respect to such debt securities;

the market price of our common stock and the Mandatory Convertible Preferred Stock could decline as a result of further sales of our common stock or equity-linked securities in the market or the perception that these sales could occur; and

potential disruption to our business and distraction of our workforce and management team.

***The pendency of the Verizon Transaction could adversely affect the business and operations of Frontier and the acquired business.***

In connection with the pending Verizon Transaction, some customers of the acquired business may delay or defer decisions or may end their relationships with Verizon prior to completion of the Verizon Transaction or with the Company after the Verizon Transaction closes.

***We will incur substantial debt and debt service obligations to finance the Verizon Transaction.***

We have a significant amount of indebtedness, which amounted to \$9.7 billion at March 31, 2015. We expect to incur additional indebtedness to fund the Verizon Transaction. On a pro forma basis to give effect to the Verizon Transaction and the other events described under Unaudited pro forma condensed combined financial information, we would have had \$18.6 billion of outstanding indebtedness as of March 31, 2015 based on our current financing plans which may be subject to change. We also have access to a \$750 million revolving credit facility and may also take on additional long-term debt and working capital lines of credit to meet future financing needs, subject to certain restrictions under the terms of our existing indebtedness.

## **Table of Contents**

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

limitations on our ability to obtain additional debt or equity financing on favorable terms or at all;

instances in which we are unable to meet the covenants contained in our debt agreements or to generate cash sufficient to make required debt payments, which circumstances have the potential of accelerating the maturity of some or all of our outstanding indebtedness;

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

requiring us to sell debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet payment obligations;

compromising our flexibility to plan for, or react to, competitive challenges in our business and the communications industry; and

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

In addition, our senior notes are rated below investment grade by independent ratings agencies. This can result in higher borrowing costs for us. We cannot assure you that these rating agencies will not lower our current debt ratings, if in the rating agencies' judgment such an action is appropriate. A lowering of a rating may further increase our future borrowing costs and reduce our access to capital.

***We will have broad discretion to use the proceeds from this offering and the concurrent offering, if consummated.***

Because the closing of the Verizon Transaction is subject to a number of closing conditions, we cannot assure you that the Verizon Transaction will close. If the Verizon Transaction does not close, we will have significant discretion to allocate the proceeds from this offering and the concurrent offering, if consummated, to other uses. In addition, while we intend to place a portion of the proceeds of this offering and the concurrent offering into escrow pursuant to the terms of the Verizon Purchase Agreement, we do not intend to place all proceeds into escrow. We will have broad discretion to use any proceeds that are not escrowed pursuant to the terms of the Verizon Purchase Agreement. In addition, while we have the option, we are not required to redeem the Mandatory Convertible Preferred Stock issued hereby if the Verizon Transaction does not close. We can make no assurances that we will exercise such redemption option or that we will otherwise have opportunities to allocate the proceeds from this offering and the concurrent offering, if consummated, for other productive uses or that other uses of the proceeds from this offering and the concurrent offering will result in a favorable return to investors.

***The pro forma financial statements included and incorporated by reference in this prospectus supplement are presented for illustrative purposes only and may not be an indication of our financial condition or results of operations after giving effect to the Connecticut Acquisition or the Verizon Transaction, as applicable.***

The pro forma financial statements contained and incorporated by reference in this prospectus supplement and the accompanying prospectus are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates and may not be an indication of our financial condition or results of operations following the Connecticut Acquisition or the Verizon Transaction, as applicable, for several reasons.

---

## **Table of Contents**

See Unaudited pro forma condensed combined financial information. Our actual financial condition and results of operations following the Connecticut Acquisition and the Verizon Transaction may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the Connecticut Acquisition or the Verizon Transaction.

### **Risks related to ownership of the Mandatory Convertible Preferred Stock, our common stock and this offering**

*You will bear the risk of a decline in the market price of our common stock between the pricing date for the Mandatory Convertible Preferred Stock and the mandatory conversion date.*

The number of shares of our common stock that you will receive upon mandatory conversion of the Mandatory Convertible Preferred Stock is not fixed but instead will depend on the applicable market value of our common stock, which is the average VWAP per share of our common stock over the 20 consecutive trading day period commencing on and including the 22nd scheduled trading day immediately preceding the mandatory conversion date. The aggregate market value of our common stock that you would receive upon mandatory conversion of the Mandatory Convertible Preferred Stock may be less than the aggregate liquidation preference of the Mandatory Convertible Preferred Stock. Specifically, if the applicable market value of our common stock is less than the initial price of \$ , the market value of our common stock that you would receive upon mandatory conversion of each share of the Mandatory Convertible Preferred Stock will be less than the \$100.00 liquidation preference per share, and an investment in the Mandatory Convertible Preferred Stock would result in a loss. Therefore, you will bear the risk of a decline in the market price of our common stock, which decline could be substantial.

*The opportunity for equity appreciation provided by your investment in the Mandatory Convertible Preferred Stock is less than that provided by a direct investment in our common stock.*

The market value of each share of our common stock that you would receive upon mandatory conversion of each share of the Mandatory Convertible Preferred Stock on the mandatory conversion date will only exceed the liquidation preference of \$100.00 per share of the Mandatory Convertible Preferred Stock if the applicable market value of our common stock exceeds the threshold appreciation price of \$ . The threshold appreciation price represents an appreciation of % over the initial price. In this event, on the mandatory conversion date, you would receive approximately % (which percentage is equal to the initial price divided by the threshold appreciation price) of the value of our common stock that you would have received if you had made a direct investment in our common stock on the date of this prospectus supplement. This means that the opportunity for equity appreciation provided by an investment in the Mandatory Convertible Preferred Stock is less than that provided by a direct investment in our common stock.

In addition, if the market value of our common stock appreciates and the applicable market value of our common stock is equal to or greater than the initial price but less than or equal to the threshold appreciation price, the aggregate market value of our common stock that you would receive upon mandatory conversion of the Mandatory Convertible Preferred Stock will only be equal to the aggregate liquidation preference of the Mandatory Convertible Preferred Stock, and you will not realize any equity appreciation on our common stock.

*The adjustment to the conversion rate and the payment of the fundamental change dividend make-whole amount upon the occurrence of certain fundamental changes may not adequately compensate you.*

If a fundamental change (as defined in Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder upon a fundamental change ) occurs on or prior to the mandatory conversion date, holders will be entitled to convert their Mandatory Convertible Preferred Stock during the fundamental change conversion period at the fundamental change conversion rate (in each case as defined in Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the

---

**Table of Contents**

holder upon a fundamental change ). The fundamental change conversion rate represents an adjustment to the conversion rate otherwise applicable unless the share price is less than \$ or above \$ (in each case, subject to adjustment). In addition, with respect to Mandatory Convertible Preferred Stock converted during the fundamental change conversion period, you will also receive, among other considerations, a fundamental change dividend make-whole amount. Although this adjustment to the conversion rate and the payment of the fundamental change dividend make-whole amount are designed to compensate you for the lost option value of the Mandatory Convertible Preferred Stock and lost dividends as a result of a fundamental change, they are only an approximation of such lost value and lost dividends and may not adequately compensate you for your actual loss. Furthermore, our obligation to adjust the conversion rate in connection with a fundamental change and pay the fundamental change dividend make-whole amount (whether in cash or shares of our common stock or any combination thereof) could be considered a penalty under state law, in which case your ability to enforce such adjustments would be subject to general principles of reasonableness of economic remedies.

***The conversion rate of the Mandatory Convertible Preferred Stock may not be adjusted for all dilutive events that may adversely affect the market price of the Mandatory Convertible Preferred Stock or our common stock issuable upon conversion of the Mandatory Convertible Preferred Stock.***

The number of shares of our common stock that you are entitled to receive upon conversion of the Mandatory Convertible Preferred Stock is subject to adjustment for stock splits and combinations, dividends and certain other transactions. See Description of Mandatory Convertible Preferred Stock Conversion rights Conversion rate adjustments for further discussion of anti-dilution adjustments. However, other events, such as employee and director equity grants or offerings of our common stock or securities convertible into shares of our common stock (other than those set forth in Description of Mandatory Convertible Preferred Stock Conversion rights Conversion rate adjustments ) for cash or in connection with acquisitions, which may adversely affect the market price of our common stock, may not result in any adjustment. Further, if any of these other events adversely affects the market price of our common stock, it may also adversely affect the market price of the Mandatory Convertible Preferred Stock. In addition, the terms of the Mandatory Convertible Preferred Stock do not restrict our ability to offer common stock or securities convertible into common stock in the future or to engage in other transactions that could dilute our common stock. We have no obligation to consider the interests of the holders of the Mandatory Convertible Preferred Stock in engaging in any such offering or transaction.

***Investors will not have any rights to require us to redeem the Mandatory Convertible Preferred Stock in the event that an acquisition termination event occurs or the Verizon Transaction is not completed by August 6, 2016.***

Investors will not have any rights to require us to redeem the Mandatory Convertible Preferred Stock if an acquisition termination event occurs or the Verizon Transaction is not completed by 5:00 p.m. (New York City time) on August 6, 2016. Further, investors will not have any right to require us to redeem the Mandatory Convertible Preferred Stock if, subsequent to the completion of this offering, we or Verizon experience any changes in our business or financial condition or if the terms of the Verizon Transaction or the financing thereof change. Even if we redeem the Mandatory Convertible Preferred Stock, investors may not obtain their expected return and may not be able to reinvest the proceeds from such redemption in an investment that results in a comparable return.

***The Mandatory Convertible Preferred Stock is subject to redemption at our option upon the occurrence of an acquisition termination event or if the Verizon Transaction is not completed on or prior to 5:00 p.m. (New York City time) on August 6, 2016.***

If the Verizon Transaction is not completed on or before 5:00 p.m. (New York City time) on August 6, 2016, or if an acquisition termination event (as defined herein) occurs, we will be entitled, but not required, to redeem the

## **Table of Contents**

Mandatory Convertible Preferred Stock, in whole but not in part, at a redemption price equal to \$100.00 per Mandatory Convertible Preferred Stock plus accumulated and unpaid dividends to the date of redemption or, in certain circumstances, at an early redemption price that includes a make-whole adjustment. Although the redemption price is designed to compensate you for the lost option value of your Mandatory Convertible Preferred Stock and lost dividends as a result of the acquisition termination redemption, it is only an approximation of such lost value and may not adequately compensate you for your actual loss.

The proceeds of this offering will not be deposited into an escrow account in favor of holders of Mandatory Convertible Preferred Stock pending any acquisition termination redemption of the Mandatory Convertible Preferred Stock. Our ability to pay the redemption price to holders of the Mandatory Convertible Preferred Stock in connection with an acquisition termination redemption may be limited by our then existing financial resources, and sufficient funds may not be available when necessary to make any required purchases of the Mandatory Convertible Preferred Stock following our election to redeem the Mandatory Convertible Preferred Stock.

### ***Recent regulatory actions may adversely affect the trading price and liquidity of the Mandatory Convertible Preferred Stock.***

Investors in, and potential purchasers of, the Mandatory Convertible Preferred Stock who employ, or seek to employ, a convertible arbitrage strategy with respect to the Mandatory Convertible Preferred Stock may be adversely impacted by regulatory developments that may limit or restrict such a strategy. The SEC and other regulatory and self-regulatory authorities have implemented various rules and may adopt additional rules in the future that restrict and otherwise regulate short selling and over-the-counter swaps and security-based swaps, which restrictions and regulations may adversely affect the ability of investors in, or potential purchasers of, the Mandatory Convertible Preferred Stock to conduct a convertible arbitrage strategy with respect to the Mandatory Convertible Preferred Stock. This could, in turn, adversely affect the trading price and liquidity of the Mandatory Convertible Preferred Stock.

### ***You will have no rights with respect to our common stock until the Mandatory Convertible Preferred Stock is converted, but you may be adversely affected by certain changes made with respect to our common stock.***

You will have no rights with respect to our common stock, including voting rights, rights to participate in common stock tender offers, if any, and rights to receive dividends or other distributions on our common stock, if any (other than through a conversion rate adjustment), prior to the conversion date with respect to a conversion of the Mandatory Convertible Preferred Stock, but your investment in the Mandatory Convertible Preferred Stock may be negatively affected by these events. Upon conversion, you will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs after the conversion date. For example, in the event that an amendment is proposed to our Certificate of Incorporation requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date of the Mandatory Convertible Preferred Stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes resulting in the powers, preferences or rights of our common stock. See Description of capital stock in the accompanying prospectus for further discussion of our common stock.

### ***You will have no voting rights with respect to the Mandatory Convertible Preferred Stock except under limited circumstances.***

You will have no voting rights with respect to the Mandatory Convertible Preferred Stock, except (i) with respect to certain amendments to the terms of the Mandatory Convertible Preferred Stock, (ii) in the case of certain dividend arrearages, (iii) in certain other limited circumstances and (iv) as specifically required by Delaware law. You will have no right to vote for any members of our board of directors, except upon certain dividend arrearages.

## **Table of Contents**

If dividends on any shares of the Mandatory Convertible Preferred Stock (i) have not been declared and paid, or (ii) have been declared but a sum of cash or number of shares of our common stock sufficient for payment thereof has not been set aside for the benefit of the holders thereof on the applicable record date, for the equivalent of six or more dividend periods, whether or not for consecutive dividend periods, the holders of shares of Mandatory Convertible Preferred Stock, voting together as a single class with holders of any and all other classes or series of our preferred stock ranking equally with the Mandatory Convertible Preferred Stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding-up and having similar voting rights, will be entitled to elect a total of two additional members of our board of directors, subject to the terms and limitations described in the section of this prospectus supplement entitled Description of Mandatory Convertible Preferred Stock Voting rights.

In certain circumstances where the rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock are adversely affected thereby, holders of shares of the Mandatory Convertible Preferred Stock will have the right to vote with respect to certain amendments to our Certificate of Incorporation or in connection with certain reclassifications, mergers or consolidation transactions. See Description of Mandatory Convertible Preferred Stock Voting rights.

### ***Our ability to declare and pay dividends on the Mandatory Convertible Preferred Stock may be limited.***

Our declaration and payment of dividends on the Mandatory Convertible Preferred Stock in the future will be determined by our board of directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity and other factors. Our ability to declare and pay dividends and make other distributions with respect to our capital stock, including the Mandatory Convertible Preferred Stock, is restricted by the terms of certain of our existing financing arrangements and may be restricted by the terms of financing arrangements that we enter into in the future. In the event that the agreements governing any such indebtedness restrict our ability to declare and pay dividends in cash on the shares of Mandatory Convertible Preferred Stock, we may be unable to declare and pay dividends in cash on the shares of Mandatory Convertible Preferred Stock unless we can repay or refinance the amounts outstanding under such agreements.

In addition, under Delaware law, our board of directors may only declare and pay dividends on shares of our capital stock out of our statutory surplus (which is the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to declare and pay cash dividends on the shares of Mandatory Convertible Preferred Stock, we may not have sufficient cash to declare and pay dividends in cash on the shares of Mandatory Convertible Preferred Stock.

If upon (i) mandatory conversion, (ii) an early conversion at the option of a holder or (iii) an early conversion upon a fundamental change, we have not declared and paid all or any portion of the accumulated dividends payable on the Mandatory Convertible Preferred Stock for specified periods, converting holders will receive an additional number of shares of our common stock having a market value generally equal to the amount of such undeclared, accumulated and unpaid dividends, subject to the limitations described under Description of Mandatory Convertible Preferred Stock Conversion rights Mandatory conversion, Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder and Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder upon a fundamental change, respectively. In the case of mandatory conversion or conversion upon a fundamental change, if these limits to the adjustment of the conversion rate are reached, we will pay the shortfall in cash if we are legally permitted to do so and not restricted by the terms of our indebtedness at that time. We will not have an obligation to pay the shortfall in cash if these limits to the adjustment of the conversion rate are reached in the case of an early conversion at the option of the holder.

## **Table of Contents**

***You may be subject to U.S. federal income or withholding tax with respect to the Mandatory Convertible Preferred Stock even though you do not receive a corresponding cash distribution.***

The conversion rate of the Mandatory Convertible Preferred Stock is subject to adjustment in certain circumstances. See [Description of Mandatory Convertible Preferred Stock Conversion rights Conversion rate adjustments](#). If, as a result of an adjustment (or failure to make an adjustment), your proportionate interest in our assets or earnings and profits is increased, you may be deemed to have received for U.S. federal income tax purposes a taxable distribution without the receipt of any cash. In addition, we may make distributions to holders of the Mandatory Convertible Preferred Stock that are paid in our common stock, and any such distribution would be taxable to the same extent as a cash distribution of the same amount. In these circumstances and possibly others, you, as a holder of Mandatory Convertible Preferred Stock, may be subject to U.S. federal income tax even though you have received no cash, thus giving rise to an out-of-pocket expense. If you are a Non-U.S. Holder (as defined in [U.S. federal income tax considerations](#)), you may be subject to U.S. federal withholding taxes in connection with such a deemed distribution or distribution payable in shares of our common stock. If a broker or other applicable withholding agent pays any withholding taxes on behalf of a Non-U.S. Holder as a result of a deemed distribution, such withholding agent may set off such payments against cash payments and other distributions otherwise deliverable to the Non-U.S. Holder (or other assets of the Non-U.S. Holder held by such withholding agent). See [U.S. federal income tax considerations](#) for a further discussion of U.S. federal income tax considerations with respect to the Mandatory Convertible Preferred Stock.

***Certain rights of the holders of the Mandatory Convertible Preferred Stock and certain contractual and statutory provisions could delay or prevent an otherwise beneficial takeover or takeover attempt of us and, therefore, the ability of holders of Mandatory Convertible Preferred Stock to exercise their rights associated with a potential fundamental change.***

Certain rights of the holders of the Mandatory Convertible Preferred Stock could make it more difficult or more expensive for a third party to acquire us. For example, if a fundamental change were to occur on or prior to June 29, 2018, holders of the Mandatory Convertible Preferred Stock may have the right to convert their Mandatory Convertible Preferred Stock, in whole or in part, at an increased conversion rate and will also be entitled to receive a fundamental change dividend make-whole amount equal to the present value of all remaining dividend payments on their Mandatory Convertible Preferred Stock. See [Description of Mandatory Convertible Preferred Stock Conversion rights Early conversion at the option of the holder upon a fundamental change](#). These features of the Mandatory Convertible Preferred Stock could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

In addition, provisions of Delaware law and our Certificate of Incorporation and Bylaws ([Bylaws](#)), and contracts to which we are a party, could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us. See [Description of capital stock](#) in the accompanying prospectus.

***An active trading market for the Mandatory Convertible Preferred Stock does not exist and may not develop.***

The Mandatory Convertible Preferred Stock is a new issue of securities with no established trading market. We intend to apply to have the Mandatory Convertible Preferred Stock listed on the NASDAQ under the symbol FTRPR. Even if the Mandatory Convertible Preferred Stock is approved for listing on the NASDAQ, such listing does not guarantee that a trading market for the Mandatory Convertible Preferred Stock will develop or, if a trading market for the Mandatory Convertible Preferred Stock does develop, the depth or liquidity of that market or the ability of the holders to sell the Mandatory Convertible Preferred Stock, or to sell the Mandatory Convertible Preferred Stock at a favorable price.



## **Table of Contents**

### ***The trading price of our common stock will directly affect the trading price of the Mandatory Convertible Preferred Stock.***

The trading price of the Mandatory Convertible Preferred Stock will be directly affected by, among other things, the trading price of our common stock. It is impossible to predict whether the price of our common stock will rise or fall. Our operating results, prospects and economic, financial, political and other factors will affect trading prices of our common stock and the Mandatory Convertible Preferred Stock, as will future issuances of our common stock. In addition, market conditions can affect the capital markets generally, thereby affecting the price of our common stock. These conditions may include the level of, and fluctuations in, the trading prices of stocks generally and sales of substantial amounts of our common stock in the market after this offering of the Mandatory Convertible Preferred Stock or the perception that such sales could occur. See The price of our Mandatory Convertible Preferred Stock and common stock may be volatile. Accordingly, you may not be able to resell your Mandatory Convertible Preferred Stock or our common stock at or above the price at which you purchased or received them.

Additionally, Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the Mandatory Convertible Preferred Stock and the common stock underlying the Mandatory Convertible Preferred Stock. In addition, the issuance of the Mandatory Convertible Preferred Stock may result in hedging activity by holders of shares of the Mandatory Convertible Preferred Stock that view such Mandatory Convertible Preferred Stock as a more attractive means of equity participation in us than a direct investment in our common stock. This arbitrage and hedging could, in turn, negatively affect the trading prices of the Mandatory Convertible Preferred Stock and our common stock.

### ***We may issue additional series of preferred stock that rank on a parity with the Mandatory Convertible Preferred Stock as to dividend payments and liquidation preference and that vote with the Mandatory Convertible Preferred Stock on most issues on which the preferred stock is permitted to vote, which may negatively affect your investment.***

Without giving effect to the shares of Mandatory Convertible Preferred Stock that we are offering hereby, we have the authority under our Certificate of Incorporation to issue 50,000,000 shares of preferred stock. Our Certificate of Incorporation does not prohibit us from issuing additional series of preferred stock that would rank on a parity with the Mandatory Convertible Preferred Stock. The issuance of any such series of preferred stock could have the effect of reducing the amounts available to the holders of the Mandatory Convertible Preferred Stock in the event of our liquidation. If we do not have sufficient funds to pay dividends on the outstanding Mandatory Convertible Preferred Stock and such other series of preferred stock, it would also reduce amounts available to the holders of the Mandatory Convertible Preferred Stock for the payment of dividends. Except with respect to changes to our Certificate of Incorporation that adversely affect only one series of our preferred stock, the holders of the Mandatory Convertible Preferred Stock and any other series of preferred stock that we issue vote together, as a class, on the issues on which our preferred stock has the right to vote, including our consolidation or merger with another corporation. The interests of the holders of any other series of preferred stock that we issue may be different from the interests of the holders of the Mandatory Convertible Preferred Stock.

### ***Shares eligible for future sale may adversely affect our common stock price and the market price of the Mandatory Convertible Preferred Stock.***

Sales of our common stock or other securities (including the Mandatory Convertible Preferred Stock) in the public or private market, or the perception that these sales may occur, or the conversion of the Mandatory Convertible Preferred Stock or the payment of dividends on the Mandatory Convertible Preferred Stock in the form of our common stock, or the perception that such conversions or dividends could occur, could cause the

**Table of Contents**

market price of our common stock and thus, the market price of the Mandatory Convertible Preferred Stock, to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Under our Certificate of Incorporation, we are authorized to issue up to 1,750,000,000 shares of common stock and 50,000,000 shares of preferred stock and we are authorized to convert our authorized preferred stock (including the Mandatory Convertible Preferred Stock) into common stock. We cannot predict the size of future issuances of our common stock or other securities or the effect, if any, that the concurrent offering of our common stock and future sales and issuances of our common stock and other securities would have on the market price of our common stock.

***The price of our Mandatory Convertible Preferred Stock and common stock may be volatile. Accordingly, you may not be able to resell your Mandatory Convertible Preferred Stock or our common stock at or above the price at which you purchased or received them.***

The trading price of our common stock has fluctuated in the past. The trading price of our common stock and the Mandatory Convertible Preferred Stock could fluctuate significantly in the future and could be negatively affected in response to various factors, including:

market conditions in the broader stock market in general;

our ability to make investments with attractive risk-adjusted returns;

market perception of our current and projected financial condition, potential growth, future earnings and future cash dividends;

announcements we make regarding dividends;

actual or anticipated fluctuations in our quarterly financial and operating results;

additional offerings of our common stock or equity-linked securities;

actions by rating agencies;

short sales of our common stock and the Mandatory Convertible Preferred Stock;

any decision to pursue a distribution or disposition of a meaningful portion of our assets;

issuance of new or changed securities analysts' reports or recommendations;

market perception or media coverage of us, other similar companies or the outlook of the markets and industries in which we compete;

major reductions in trading volumes on the exchanges on which we operate;

legislative or regulatory developments, including changes in the status of our regulatory approvals or licenses;

litigation and governmental investigations; and

any decision to pursue a spin-off of a portion of our assets.

These and other factors may cause the market price and demand for our common stock and Mandatory Convertible Preferred Stock to fluctuate substantially, which may negatively affect the price or liquidity of our common stock and the Mandatory Convertible Preferred Stock. If the market price of our common stock declines, you may not realize any return on your investment in the Mandatory Convertible Preferred Stock and may lose some or all of your investment. When the market price of a stock has been volatile or has decreased

S-31

## **Table of Contents**

significantly in the past, holders of that stock have, at times, instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending, settling or paying any resulting judgments related to the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business and hurt our share price.

### ***The Mandatory Convertible Preferred Stock may adversely affect the market price of our common stock.***

The market price of our common stock is likely to be influenced by the Mandatory Convertible Preferred Stock. For example, the market price of our common stock could become more volatile and could be depressed by:

investors' anticipation of the potential resale in the market of a substantial number of additional shares of our common stock received upon conversion of the Mandatory Convertible Preferred Stock;

possible sales of our common stock by investors who view the Mandatory Convertible Preferred Stock as a more attractive means of equity participation in us than owning shares of our common stock; and

hedging or arbitrage trading activity that may develop involving the Mandatory Convertible Preferred Stock and our common stock.

### ***Future issuances of our shares of common stock could reduce the market price of our shares of common stock and the Mandatory Convertible Preferred Stock.***

In the future we may issue additional securities to raise capital. We may also acquire interests in other companies by using a combination of cash and our common stock or just our common stock. We may also issue securities convertible into our common stock in addition to the Mandatory Convertible Preferred Stock offered hereby. Any of these events may dilute your ownership interest in our Company and have an adverse impact on the price of our common stock and the price of the Mandatory Convertible Preferred Stock.

### ***Our shares of common stock will rank junior to the Mandatory Convertible Preferred Stock and both equity securities will rank junior to all of our consolidated liabilities.***

In the event of a bankruptcy, liquidation, dissolution or winding up, our assets will be available to pay obligations on the Mandatory Convertible Preferred Stock and our common stock only after all of our consolidated liabilities have been paid. In the event of a bankruptcy, liquidation, dissolution or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries' liabilities, to pay any amounts with respect to the Mandatory Convertible Preferred Stock and our common stock then outstanding. Additionally, no distribution of our assets may be made to holders of our common stock until we have paid to holders of the Mandatory Convertible Preferred Stock a liquidation preference equal to \$100.00 per share plus accrued and unpaid dividends. We have a significant amount of indebtedness, which amounted to \$9.7 billion at March 31, 2015. We expect to incur additional indebtedness to fund the Verizon Transaction. On a pro forma basis to give effect to the Verizon Transaction and the other events described under "Unaudited pro forma condensed combined financial information," we would have had \$18.6 billion of outstanding indebtedness as of March 31, 2015. We also have access to a \$750 million revolving credit facility and may also take on additional long-term debt and working capital lines of credit to meet future financing needs, subject to certain restrictions under the terms of our existing indebtedness.

### ***Certain provisions of the General Corporation Law of the State of Delaware ( "DGCL" ), our Certificate of Incorporation and our Bylaws may delay, hinder or prevent a change of control in us, which could have an adverse effect on the market price of our common stock and the Mandatory Convertible Preferred Stock.***

Provisions of the DGCL and our Certificate of Incorporation and Bylaws could delay or discourage some transactions involving an actual or potential change in control of us or our management and may limit the

**Table of Contents**

ability of our stockholders to remove current management or approve transactions that our stockholders may deem to be in their best interests. These provisions:

authorize our board of directors to establish one or more series of preferred stock, the terms of which can be determined by our board of directors at the time of issuance;

provide an advanced written notice procedure with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of our board of directors;

state that special meetings of our stockholders may be called by the Chairman of our board of directors or the Chief Executive Officer and must be called on the request in writing or by vote of a majority of our board of directors or on request in writing of stockholders of record owning 50% of the capital stock outstanding and entitled to vote;

allow our directors, and not our stockholders, to fill vacancies on our board of directors, including vacancies resulting from removal or enlargement of our board of directors; and

grant our board of directors the authority to amend and repeal our by-laws without a stockholder vote; provided, however, that such authority of our board of directors is subject to the power of the stockholders to change or repeal any by-laws by a majority vote of the stockholders present and represented at any annual meeting or at any special meeting called for such purpose.

These provisions may also make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt of our Company that is opposed by our management or our board of directors. Stockholders who might desire to participate in those types of transactions may not have an opportunity to do so, even if the transaction is favorable to the stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or change our management or our board of directors and, as a result, may adversely affect the market price of our common stock and the Mandatory Convertible Preferred Stock and the ability of stockholders to realize any potential change of control premium.

*We cannot assure that we will be able to continue paying dividends on our common stock.*

On December 11, 2014, our board of directors approved a 5% increase over the 2014 dividend rate in the planned quarterly cash dividend rate, commencing with the dividend for the first quarter of 2015 which equaled \$0.105 per share of common stock and was paid on March 31, 2015 to holders of record at the close of business on March 12, 2015. On an annual basis, this plan would increase the dividend from \$0.40 to \$0.42 per share. On May 5, 2015, we announced that our board of directors declared an equal cash dividend of \$0.105 per share of common stock for the second quarter of 2015, payable on June 30, 2015 to holders of record at the close of business on May 28, 2015. Purchasers in this offering will not receive the June 30, 2015 dividend with respect to the securities purchased in this offering. The amount and timing of future dividend payments and our ability to make other distributions is subject to applicable law and will be made at the discretion of our board of directors based on factors such as cash flow and cash requirements, capital expenditure requirements, financial condition and other factors. No dividends will be declared or paid on our common stock unless full cumulative dividends have been paid or set aside for payment on all outstanding Mandatory Convertible Preferred Stock for all accrued dividend periods.

**Table of Contents**

*We have a significant amount of goodwill and other intangible assets on our balance sheet. If our goodwill or other intangible assets become impaired, we may be required to record a non-cash charge to earnings and reduce our stockholders' equity.*

Under GAAP, intangible assets are reviewed for impairment on an annual basis or more frequently whenever events or circumstances indicate that their carrying value may not be recoverable. We monitor relevant circumstances, including general economic conditions, enterprise value EBITDA multiples for other rural ILEC properties, our overall financial performance and the market prices for our common stock, and the potential impact that changes in such circumstances might have on the valuation of our goodwill or other intangible assets. If our goodwill or other intangible assets are determined to be impaired in the future, we may be required to record a non-cash charge to earnings during the period in which the impairment is determined, which would reduce our stockholders' equity.

S-34

Table of Contents**Ratio of earnings to combined fixed charges and preferred stock dividends**

The following table contains our historical consolidated ratio of earnings to combined fixed charges and preferred stock dividends for the periods indicated. For purposes of this ratio, earnings consist of pre-tax income (loss) from continuing operations before income (loss) from equity investees, and after deductions for income attributable to the noncontrolling interest in a partnership, plus fixed charges (except for interest capitalized) and distributed income of equity investees. Fixed charges consist of interest expensed and capitalized, plus the portion of rent expense under operating leases deemed to be representative of interest. We had no preferred securities outstanding during the periods presented. Therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

	<b>Three months ended</b>			<b>Year ended December 31,</b>		
	<b>March 31,</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>2015</b>					
Consolidated Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends(1)(2)	0.68	1.22	1.23	1.29	1.33	1.49

(1) Includes losses on early extinguishment of debt or exchanges of debt of \$159.8 million and \$90.4 million for the years ended December 31, 2013 and 2012, respectively. The consolidated ratios of earnings to combined fixed charges and preferred stock dividends, adjusted to exclude losses on early extinguishment of debt or exchanges of debt, were 1.45 and 1.42 for the years ended December 31, 2013 and 2012, respectively.

(2) Does not reflect the Verizon Transaction, this offering or the concurrent offering.

**Table of Contents**

## **Use of proceeds**

We estimate that the net proceeds from this offering will be approximately \$            billion (or approximately \$            billion if the underwriters exercise their overallotment option to purchase additional shares in full), after deducting the underwriters' discounts and commissions and estimated offering expenses. We estimate that the net proceeds from the concurrent offering will be approximately \$            million (or approximately \$            million if the underwriters exercise their option to purchase additional securities in full), after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the proceeds of this offering along with the proceeds of the concurrent offering to finance a portion of the cash consideration payable in connection with the Verizon Transaction and to pay related fees and expenses. The balance of the financing in connection with the Verizon Transaction could take any of several forms or any combination of them, including but not limited to the following: (i) we may issue senior notes in the public and/or private capital markets; (ii) we may enter into one or more senior secured first lien term loan facilities; (iii) we may use cash on hand; and (iv) we may draw funds under the 18 Month Bridge Facility and the 8/10 Year Bridge Facility. See Description of the Verizon Transaction.

Pursuant to the terms of the Verizon Purchase Agreement, we intend to place a portion of the proceeds of this offering and the concurrent offering into escrow for use solely in paying amounts payable pursuant to the Verizon Purchase Agreement.

Neither this offering nor the concurrent offering is conditioned on the consummation of the Verizon Transaction, and there can be no assurance that the Verizon Transaction will be consummated on the terms described herein or at all. If the Verizon Transaction is not consummated, we intend to use the proceeds of this offering and the proceeds from the concurrent offering, net of certain fees and expenses and net of the aggregate redemption amount paid in cash if we choose to exercise our acquisition termination option to redeem all of the Mandatory Convertible Preferred Stock offered hereby, for general corporate purposes, which may include share repurchases, acquisitions or debt repayment.



Table of Contents**Capitalization**

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2015 on (i) an actual basis and (ii) an as adjusted basis to give effect to this offering and the concurrent offering but not the application of the net proceeds thereof. See Use of proceeds.

You should read this information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, each of which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

(\$ in millions and shares in thousands)	As of March 31, 2015	
	Historical	As adjusted
Cash and cash equivalents	\$ 509	\$ 2,940
Long-term debt		
Long-term debt due within one year	193	193
Long-term debt	9,464	9,464
Total long-term debt, including long-term debt due within one year(1)	9,657	9,657
Equity:		
Common stock, \$0.25 par value (historical: 1,750,000 authorized, 1,027,986 issued, 1,002,872 outstanding; as adjusted: 1,750,000 authorized, issued, outstanding)	257	
Preferred stock, \$0.01 par value (historical: 50,000 authorized, nil issued, nil outstanding; as adjusted: 50,000 authorized, issued, outstanding)		
Additional paid-in capital	3,877	
Retained earnings	58	58
Accumulated other comprehensive loss, net of tax	(401)	(401)
Treasury stock	(284)	(284)
Total equity	3,507	5,938
Total capitalization	\$ 13,164	\$ 15,595

(1) As of March 31, 2015, we also had \$750 million available under our revolving credit agreement.

---

**Table of Contents****Description of mandatory convertible preferred stock**

*The following is a summary of the material terms of the Mandatory Convertible Preferred Stock. This summary is not complete. The following summary of the terms and provisions of the Mandatory Convertible Preferred Stock is qualified in its entirety by reference to the certificate of designations setting forth the terms of the Mandatory Convertible Preferred Stock (the Certificate of Designations ) as well as our Certificate of Incorporation, copies of which will be available upon request at the address set forth in the section of this prospectus supplement entitled Information Incorporated by Reference. As used in this section, unless otherwise expressly stated or the context otherwise requires, the terms Frontier Communications Corporation, the Company, us, we or our refer to Frontier Communications Corporation and not any of its subsidiaries.*

**General**

Subject to the provisions of our Restated Certificate of Incorporation, as heretofore amended, and the limitations prescribed by law, our Certificate of Incorporation authorizes our board of directors to issue up to 50,000,000 shares of preferred stock, par value \$0.01 per share, in one or more series, and to fix the designations, powers, preferences and relative, participating optional, conversion and other rights, and the qualifications, limitations and restrictions, of such series without further vote or action by our stockholders. The designations, powers, preferences and other rights, and the qualifications, limitations and restrictions shall be set forth in a certificate of designations filed with the Secretary of State of the State of Delaware. As of the date of this prospectus supplement, no shares of preferred stock are outstanding. See

Description of capital stock in the accompanying prospectus. At the consummation of this offering, we will issue 17,500,000 shares of the Mandatory Convertible Preferred Stock. In addition, we have granted the underwriters an overallotment option to purchase up to 10% additional shares of the Mandatory Convertible Preferred Stock, solely to cover over allotments, as described under Underwriting.

When issued, the Mandatory Convertible Preferred Stock and our common stock issuable upon the conversion of the Mandatory Convertible Preferred Stock will be fully paid and non-assessable. The holders of the Mandatory Convertible Preferred Stock and common stock issued upon conversion of the Mandatory Convertible Preferred Stock will have no pre-emptive or preferential right to purchase or subscribe to our stock, obligations, warrants or other securities of any class.

The transfer agent, registrar, conversion and dividend disbursing agent for shares of the Mandatory Convertible Preferred Stock and the transfer agent and registrar for shares of our common stock is Computershare Trust Company, N.A.

**Ranking**

The Mandatory Convertible Preferred Stock, with respect to dividend rights and the rights to distribution of assets upon our liquidation, winding-up or dissolution, will rank:

senior to our common stock and to each other class of capital stock or series of preferred stock established after the original issue date of the Mandatory Convertible Preferred Stock (which we refer to as the issue date ), the terms of which do not expressly provide that such class or series ranks senior to, or on a parity with, the Mandatory Convertible Preferred Stock as to dividend rights and/or rights to distribution of assets upon our liquidation, dissolution or winding-up (which we refer to collectively as junior stock );

equally with any class of capital stock or series of preferred stock established after the issue date, the terms of which expressly provide that such class or series will rank equally with the Mandatory Convertible Preferred Stock as to dividend rights and/or rights to distribution of assets upon our liquidation, dissolution or winding-up, in each case without regard to whether dividends accrue cumulatively or non-cumulatively (which we refer to collectively as parity stock );

---

## **Table of Contents**

junior to each class of capital stock or series of preferred stock established after the issue date, the terms of which expressly provide that such class or series will rank senior to the Mandatory Convertible Preferred Stock as to dividend rights and/or rights to distribution of assets upon our liquidation, dissolution or winding-up; and

junior to our existing and future indebtedness and other liabilities (including trade payables).

In addition, the Mandatory Convertible Preferred Stock, with respect to dividend rights or rights to distribution of assets upon our liquidation, winding-up or dissolution, will be structurally subordinated to existing and future indebtedness of our subsidiaries. As of March 31, 2015, on a pro forma basis to give effect to the Verizon Transaction and the other events described under Unaudited Pro Forma Condensed Combined Financial Information, we would have had a total of approximately \$18.1 billion of outstanding indebtedness, including long-term debt, short-term debt and long-term financial obligations. See Unaudited Pro Forma Condensed Combined Financial Information.

## **Dividends**

Subject to the rights of holders of any class or series of our capital stock ranking senior to the Mandatory Convertible Preferred Stock with respect to dividends, holders of shares of the Mandatory Convertible Preferred Stock will be entitled to receive, when, as and if declared by our board of directors or an authorized committee of our board of directors and to the extent lawful, cumulative dividends at an annual rate of % of the initial liquidation preference of \$100.00 per share of Mandatory Convertible Preferred Stock (equivalent to \$ per year per share). We will pay such dividends in cash, by delivery of shares of our common stock or by delivery of any combination of cash and our common stock, at our election, as described under Method of payment of dividends below. If declared, dividends on the Mandatory Convertible Preferred Stock will be payable quarterly on the last business day of each of March, June, September and December of each year, commencing on September 30, 2015 and ending on June 29, 2018 (each, a dividend payment date), at such annual rate, and shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the issue date of the Mandatory Convertible Preferred Stock, whether or not in any dividend period or periods there have been funds or stock lawfully available for the payment of such dividends. A dividend period refers to a period commencing on, and including, a dividend payment date (or if no dividend payment date has occurred, commencing on, and including, the issue date), and ending on, and including, the day immediately preceding the next succeeding dividend payment date.

A business day means any day other than a Saturday or Sunday or other day on which commercial banks in New York City are authorized or required by law or executive order to close. Any accumulated and unpaid dividends from any preceding dividend period can be declared and paid on a date determined by the board of directors or an authorized committee of our board of directors in its sole discretion.

Dividends will be payable to holders of record as they appear on our stock register at 5:00 p.m., New York City time, on the 15<sup>th</sup> calendar day of the month in which such dividend payment falls or such other record date fixed by our board of directors or any duly authorized committee thereof that is not more than 60 nor less than 10 days prior to such dividend payment date, but only to the extent a dividend has been declared to be payable on such dividend payment date (each, a regular record date), except that dividends payable on the mandatory conversion date, as defined below, will be payable to the holders presenting the Mandatory Convertible Preferred Stock for conversion. The regular record date shall apply regardless of whether it is a business day.

Dividends payable on the Mandatory Convertible Preferred Stock for each full dividend period will be computed by dividing the annual dividend rate by four. Dividends payable on the Mandatory Convertible Preferred Stock for any period other than a full dividend period will be based upon the actual number of days elapsed during

**Table of Contents**

the period and computed on the basis of a 360-day year consisting of twelve 30-day months. The initial dividend on the Mandatory Convertible Preferred Stock for the first dividend period, assuming the issue date is June , 2015, is expected to be \$ per share (based on the annual dividend rate of % and an initial liquidation preference of \$100.00 per share) and will be payable, if declared, on September 30, 2015 to the holders of record thereof on September 15, 2015. Each subsequent quarterly dividend on the Mandatory Convertible Preferred Stock, when, as and if declared, will be \$ per share (based on the annual dividend rate of % and an initial liquidation preference of \$100.00 per share). Accumulated dividends on shares of Mandatory Convertible Preferred Stock will not bear interest if they are paid subsequent to the applicable dividend payment date.

No dividend will be declared or paid upon, or any sum of cash or number of shares of our common stock set apart for the payment of dividends upon, any outstanding shares of Mandatory Convertible Preferred Stock with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid, or declared and a sum of cash or number of shares sufficient for the payment thereof has been set apart for the payment of such dividends, upon all outstanding shares of the Mandatory Convertible Preferred Stock.

No dividend will be paid upon any outstanding shares of Mandatory Convertible Preferred Stock unless and until our board of directors, or an authorized committee of our board of directors, declares a dividend payable with respect to the Mandatory Convertible Preferred Stock. Our ability to declare and pay dividends and make other distributions with respect to our capital stock, including the Mandatory Convertible Preferred Stock, is restricted by the terms of certain of our existing financing arrangements and may be restricted by the terms of financing arrangements that we enter into in the future. In addition, our ability to declare and pay dividends may be limited by applicable Delaware law. See Risk factors Risks related to our common stock and this offering Our ability to declare and pay dividends on the Mandatory Convertible Preferred Stock may be limited.

**Method of payment of dividends**

Subject to the limitations described below, we may pay any declared dividend (or any portion of any declared dividend) on the Mandatory Convertible Preferred Stock (whether or not for a current dividend period or any prior dividend period), including in connection with the payment of declared and unpaid dividends pursuant to the provisions described under Conversion rights Mandatory conversion, Conversion rights Early conversion at the option of the holder, and Conversion rights Early conversion at the option of the holder upon a fundamental change, determined in our sole discretion:

in cash;

by delivery of shares of our common stock; or

through payment or delivery, as the case may be, of any combination of cash and shares of our common stock; *provided* that in the case of conversion upon and following a fundamental change that is a reorganization event (as defined below), dividends otherwise payable in shares of our common stock may be paid by delivery of units of exchange property, as described under Recapitalizations, reclassifications and changes of our common stock ; and *provided further*, that if our board of directors may not lawfully authorize payment of all or any portion of such accumulated and unpaid dividends in cash, it shall authorize payment of such dividends in shares of our common stock or units of exchange property, as the case may be, if lawfully permitted to do so.

We will make each payment of a declared dividend on the shares of Mandatory Convertible Preferred Stock in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock.

**Table of Contents**

We will give the holders of the Mandatory Convertible Preferred Stock notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in shares of our common stock no later than 10 scheduled trading days (as defined below) prior to the dividend payment date for such dividend; *provided* that if we do not provide timely notice of this election, we will be deemed to have elected to pay the relevant dividend in cash. If we elect to make any such payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose, in the case of any dividend payment or portion thereof, at 97% of the average VWAP per share of our common stock over the five consecutive trading day (as defined below) period beginning on and including the seventh scheduled trading day (as defined below) prior to the applicable dividend payment date (the average price).

However, in no event will the number of shares of our common stock delivered in connection with any dividend, including any dividend payable in connection with a conversion, exceed a number equal to the total dividend payment divided by \$ , which amount represents 35% of the initial price (as defined below), subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each fixed conversion rate (such dollar amount, as adjusted, the floor price). To the extent that the amount of the dividend exceeds the product of the number of shares of our common stock delivered in connection with such dividend and 97% of the average price, we will, if we are legally able to do so, pay such excess amount in cash.

No fractional shares of our common stock will be delivered to the holders of the Mandatory Convertible Preferred Stock in payment or partial payment of a dividend. We will instead pay a cash adjustment (computed to the nearest cent) based on the average price with respect to such dividend.

The initial price is \$ , which equals the last reported sale price of our common stock on June , 2015.

To the extent we determine in our reasonable judgement that a shelf registration statement is required in connection with the issuance of, or for resales of, shares of our common stock issued as payment of a dividend on the shares of Mandatory Convertible Preferred Stock, to (or by) holders thereof that are not affiliates of ours for purposes of the Securities Exchange Act of 1934, as amended (the Exchange Act), including dividends paid in connection with a conversion, we will, to the extent such a registration statement is not currently filed and effective, if we determine to issue such shares of common stock, use our commercially reasonable efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares would be freely tradable without registration. To the extent applicable, we will also use our commercially reasonable efforts to have such shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the NASDAQ Global Select Market (or if shares of our common stock are not listed on the NASDAQ Global Select Market, on the principal other U.S. national or regional securities exchange on which shares of our common stock are then listed).

**Definitions**

For purposes of this Description of mandatory convertible preferred stock section, the following terms have the meanings set forth below:

Volume weighted average price or VWAP per share of our common stock on any trading day means such price as displayed under the heading Bloomberg VWAP on Bloomberg (or any successor service) page FTR <Equity> AQR (or its equivalent successor if such page is not available) in respect of the period from the scheduled open to 4:00 p.m., New York City time, on such trading day; or, if such price is not available, the volume weighted average price means the market value per share of our common stock on such trading day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by us for this purpose. The average VWAP means, for any period, the average of the volume weighted average prices for each trading day in such period.

**Table of Contents**

A trading day is any day on which:

there is no market disruption event (as defined below); and

the NASDAQ Global Select Market is open for trading, or, if our common stock (or any other security into which the Mandatory Convertible Preferred Stock becomes convertible in connection with any reorganization event) is not listed on the NASDAQ Global Select Market, any day on which the principal national securities exchange on which our common stock (or such other security) is listed is open for trading, or, if the common stock (or such other security) is not listed on a national securities exchange, any business day. A trading day only includes those days that have a scheduled closing time of 4:00 p.m., New York City time, or the then standard closing time for regular trading on the relevant exchange or trading system.

A market disruption event means any of the following events:

any suspension of, or limitation imposed on, trading by the relevant exchange or quotation system during any period or periods aggregating one half-hour or longer and whether by reason of movements in price exceeding limits permitted by the relevant exchange or quotation system or otherwise relating to our common stock (or any other security into which the Mandatory Convertible Preferred Stock becomes convertible in connection with any reorganization event) or in futures or option contracts relating to our common stock (or such other security) on the relevant exchange or quotation system;

any event (other than a failure to open or a closure as described below) that disrupts or impairs the ability of market participants during any period or periods aggregating one half-hour or longer in general to effect transactions in, or obtain market values for, our common stock (or any other security into which the Mandatory Convertible Preferred Stock becomes convertible in connection with any reorganization event) on the relevant exchange or quotation system or futures or options contracts relating to our common stock (or such other security) on any relevant exchange or quotation system; or

the failure to open of one of the exchanges or quotation systems on which futures or options contracts relating to our common stock (or any other security into which the Mandatory Convertible Preferred Stock becomes convertible in connection with any reorganization event) are traded or the closure of such exchange or quotation system prior to its respective scheduled closing time for the regular trading session on such day (without regard to after-hours or other trading outside the regular trading session hours) unless such earlier closing time is announced by such exchange or quotation system at least one hour prior to the earlier of the actual closing time for the regular trading session on such day and the submission deadline for orders to be entered into such exchange or quotation system for execution at the actual closing time on such day.

For purposes of the first two bullets of the definition of market disruption event above, the relevant exchange or quotation system will be the NASDAQ Global Select Market; *provided* that if our common stock (or any other security into which the Mandatory Convertible Preferred Stock becomes convertible in connection with any reorganization event) is not listed on the NASDAQ Global Select Market, such relevant exchange or quotation system will be the principal national securities exchange on which our common stock (or such other security) is listed for trading.

A scheduled trading day is any day that is scheduled to be a trading day, except that if our common stock is not listed on a national securities exchange, scheduled trading day means a business day.

## Table of Contents

### **Dividend stopper**

So long as any share of Mandatory Convertible Preferred Stock remains outstanding:

no dividend or distribution shall be declared or paid on our common stock or any other shares of junior stock, except dividends payable solely in shares of our common stock or other junior stock or rights to acquire same;

no dividend or distribution shall be declared or paid on our parity stock, except as provided below; and

no common stock, junior stock or parity stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by us or any of our subsidiaries, unless all accumulated and unpaid dividends for all past dividend periods, including the latest completed dividend period, on all outstanding shares of the Mandatory Convertible Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sufficient sum of cash or number of shares of our common stock for the payment thereof has been set aside for the benefit of the holders of shares of the Mandatory Convertible Preferred Stock on the applicable record date).

The limitations on distributions described in the immediately preceding paragraph will not apply to:

redemptions, purchases or other acquisitions of shares of our common stock or other junior stock in connection with the administration of any employee benefit plan or other incentive plan, including employment contracts, in the ordinary course of business (including purchases of shares in lieu of tax withholding and purchases of shares to offset the share dilution amount (as defined below) pursuant to a publicly announced repurchase plan); *provided* that any purchases to offset the share dilution amount shall in no event exceed the share dilution amount;

any dividends or distributions of rights or junior stock in connection with a stockholders' rights plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan;

purchases of ordinary shares or junior stock pursuant to a contractually binding requirement to buy same existing prior to the preceding dividend period;

the acquisition by us or any of our subsidiaries of record ownership in junior stock or parity stock for the beneficial ownership of any other persons (other than for the beneficial ownership by us or any of our subsidiaries), including as trustees or custodians; and

the exchange or conversion of junior stock for or into other junior stock or of parity stock for or into other parity stock (with the same or lesser aggregate liquidation preference) or junior stock and, in each case, the payment of cash solely in lieu of fractional shares.

Share dilution amount means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of our consolidated financial statements most recently filed with the SEC prior to the issue date) resulting from the grant, vesting or exercise of equity-based compensation to employees, directors or consultants and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

When dividends are not paid (or declared and a sufficient sum of cash or number of shares of our common stock for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any dividend payment date (or, in the case of parity stock having dividend payment dates different from such dividend payment dates, on a dividend payment date falling within a dividend period related to such dividend payment date) in full upon the Mandatory Convertible Preferred Stock and any shares of parity stock, all





---

## **Table of Contents**

dividends declared on the Mandatory Convertible Preferred Stock and all such parity stock and payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from such dividend payment dates, on a dividend payment date falling within a dividend period related to such dividend payment date) shall be declared and paid pro rata so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accumulated and unpaid dividends per share on the shares of the Mandatory Convertible Preferred Stock and all parity stock payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from such dividend payment dates, on a dividend payment date falling within a dividend period related to such dividend payment date) (subject to their having been declared by our board of directors or a duly authorized committee of our board of directors out of lawfully available funds and including, in the case of parity stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If our board of directors or a duly authorized committee of our board of directors determines not to pay any dividend or a full dividend on a dividend payment date, we will provide 10 business days written notice to the holders of the Mandatory Convertible Preferred Stock prior to such dividend payment date, or as reasonably practicable thereafter.

Subject to the foregoing, dividends (payable in cash, securities or other property) as may be determined by our board of directors or any duly authorized committee of our board of directors may be declared and paid on any securities, including our common stock and other junior stock, from time to time out of any funds lawfully available for such payment, and holders of the Mandatory Convertible Preferred Stock shall not be entitled to participate in any such dividends.

## **Acquisition termination redemption**

We expect to use the net proceeds from this offering in connection with the acquisition of Verizon Communications Inc.'s wireline operations that provide services to residential, commercial and wholesale customers in California, Florida and Texas (the "Verizon Acquisition"), as described under "Summary". Within ten Business Days following the earlier of (a) the date on which an acquisition termination event (as defined below) occurs and (b) 5:00 p.m. (New York City time) on August 6, 2016, if the Verizon Acquisition has not closed on or prior to such time on such date, we will be entitled, but not required, in our sole discretion, to mail a notice of acquisition termination redemption to the holders of the Mandatory Convertible Preferred Stock (*provided* that, if the Mandatory Convertible Preferred Stock are held in book-entry form through DTC we may give such notice in any manner permitted by DTC). If we provide notice of acquisition termination redemption to holders of the Mandatory Convertible Preferred Stock, then, on the acquisition termination redemption date (as defined below), we will be required to redeem the Mandatory Convertible Preferred Stock, in whole but not in part, at a redemption amount per share of Mandatory Convertible Preferred Stock equal to the acquisition termination make-whole amount (as defined below).

acquisition termination event means either (1) the Verizon Purchase Agreement (as such term is defined under "Summary") is terminated or (2) we determine in our reasonable judgment that the Verizon Acquisition will not occur.

acquisition termination make-whole amount means, for each share of Mandatory Convertible Preferred Stock, an amount in cash equal to \$100.00 plus accumulated and unpaid dividends to the acquisition termination redemption date (whether or not declared); *provided, however*, that if the acquisition termination share price (as defined below) exceeds the initial price, the acquisition termination make-whole amount will equal the reference amount (as defined below).

The acquisition termination share price means the average VWAP per share of our common stock over the 10 consecutive trading day period ending on the trading day preceding the date on which we provide notice of acquisition termination redemption.

## Table of Contents

The reference amount will equal the sum of the following amounts:

(i) a number of shares of our common stock equal to the acquisition termination conversion rate (as defined below); plus

(ii) cash in an amount equal to the acquisition termination dividend amount (as defined below);

*provided* that we may deliver cash in lieu of all or any portion of the shares of our common stock set forth in clause (i) above, and we may deliver shares of our common stock in lieu of all or any portion of the cash amount set forth in clause (ii) above, in each case, as described below.

acquisition termination conversion rate means a rate equal to the fundamental change conversion rate assuming for such purpose that the date on which we provide notice of acquisition termination redemption is the fundamental change effective date (as defined below) and that the fundamental change share price is the acquisition termination share price.

acquisition termination dividend amount means an amount of cash equal to the sum of (x) the fundamental change dividend make-whole amount and (y) the accumulated dividend amount, assuming in each case, for such purpose that the date on which we provide notice of acquisition termination redemption is the fundamental change effective date.

For a description of the terms fundamental change conversion rate, fundamental change dividend make-whole amount, accumulated dividend amount and fundamental change share price, see Early conversion at the option of the holder upon a fundamental change.

If the acquisition termination share price exceeds the initial price, we may pay cash (computed to the nearest cent) in lieu of delivering all or any portion of the number of shares of our common stock equal to the acquisition termination conversion rate. If we make such an election, we will deliver cash (computed to the nearest cent) in an amount equal to such number of shares of our common stock in respect of which we have made this election multiplied by the acquisition termination market value.

In addition, if the acquisition termination share price exceeds the initial price, we may deliver shares of our common stock in lieu of cash for some or all of the acquisition termination dividend amount. If we make such an election, we will deliver a number of shares of our common stock equal to such portion of the acquisition termination dividend amount to be paid in shares of our common stock divided by the greater of the floor price and 97% of the acquisition termination market value; *provided* that, if the acquisition termination dividend amount or portion thereof in respect of which shares of our common stock are delivered exceeds the product of such number of shares of our common stock multiplied by 97% of the acquisition termination market value, we will, if we are legally able to do so, declare and pay such excess amount in cash (computed to the nearest cent).

acquisition termination market value means the average VWAP per share of our common stock over the 20 consecutive trading day period commencing on and including the third trading day following the date on which we provide notice of acquisition termination redemption.

acquisition termination redemption date means the date specified by us in our notice of acquisition termination redemption that is not less than 30 nor more than 60 days following the date on which we provide notice of such acquisition termination redemption; *provided*, that, if (a) the acquisition termination share price is greater than the initial price and (b)(i) we elect to pay cash in lieu of delivering all or any portion of the shares of our common stock equal to the acquisition termination conversion rate, or (ii) we elect to deliver shares of our common stock in lieu of all or any portion of the acquisition termination dividend amount, then the acquisition termination redemption date will be also not earlier than the third business day following the last trading day of the 20 consecutive trading day period used to determine the acquisition termination market value.

**Table of Contents**

The notice of acquisition termination redemption will specify, among other things:

the acquisition termination make-whole amount;

if the acquisition termination share price exceeds the initial price, the number of shares of our common stock and the amount of cash comprising the reference amount per share of Mandatory Convertible Preferred Stock (before giving effect to any election to pay or deliver, with respect to each share of Mandatory Convertible Preferred Stock, cash in lieu of a number of shares of our common stock equal to the acquisition termination conversion rate or shares of our common stock in lieu of cash in respect of the acquisition termination dividend amount);

if applicable, whether we will deliver cash in lieu of all or any portion of the number of shares of our common stock equal to the acquisition termination conversion rate comprising a portion of the reference amount (specifying, if applicable, the number of such shares of our common stock in respect of which cash will be delivered);

if applicable, whether we will deliver shares of our common stock in lieu of all or any portion of the acquisition termination dividend amount comprising a portion of the reference amount (specifying, if applicable, the percentage of the acquisition termination dividend amount in respect of which shares of our common stock will be delivered in lieu of cash); and

the acquisition termination redemption date.

If any portion of the acquisition termination make-whole amount is to be paid in shares of our common stock, no fractional shares of our common stock will be delivered to the holders of the Mandatory Convertible Preferred Stock. We will instead, to the extent we are legally permitted to do so, pay a cash amount (computed to the nearest cent) to each holder that would otherwise be entitled to a fraction of share of our common stock based on the average VWAP per share of our common stock over the five consecutive trading day period beginning on, and including, the seventh scheduled trading day immediately preceding the acquisition termination redemption date. If more than one share of Mandatory Convertible Preferred Stock is to be redeemed from a holder, the number of our shares of common stock issuable in connection with the payment of the reference amount shall be computed on the basis of the aggregate number of Mandatory Convertible Preferred Stock so redeemed.

All cash payments to which a holder of the Mandatory Convertible Preferred Stock are entitled in connection with an acquisition termination redemption will be rounded to the nearest cent.

While we expect to use the net proceeds from this offering in connection with the Verizon Acquisition, there is no guarantee that the acquisition will be consummated and if it is not consummated, we may use the proceeds of the offering for other purposes. We may, in our sole discretion, determine to redeem the Mandatory Convertible Preferred Stock as further described hereunder. The proceeds of this offering will not be deposited into an escrow account pending any acquisition termination redemption of the Mandatory Convertible Preferred Stock. Our ability to pay the acquisition termination make-whole amount to holders of the Mandatory Convertible Preferred Stock in connection with an acquisition termination redemption may be limited by our then-existing financial resources, and sufficient funds may not be available when necessary to make any required purchases of the Mandatory Convertible Preferred Stock following our election to redeem the Mandatory Convertible Preferred Stock.

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of our shares of common stock issued as payment of any portion of the acquisition termination make-whole amount, we will, to the extent such a shelf registration statement is not currently filed and effective, use our commercially reasonable efforts to file and maintain the effectiveness of such a shelf

**Table of Contents**

registration statement until the earlier of such time as all such shares of our common stock have been resold thereunder and such time as all such shares would be freely tradable without registration by holders thereof that are not affiliates of ours for purposes of the Securities Act. To the extent applicable, we will also use our commercially reasonable efforts to have such shares of our common stock qualified or registered under applicable U.S. state securities laws, if required, and approved for listing on the NASDAQ Global Select Market (or if our shares of common stock are not listed on the NASDAQ Global Select Market, on the principal other U.S. national or regional securities exchange on which our shares of common stock are then listed).

Other than pursuant to the acquisition termination redemption provisions described above, the Mandatory Convertible Preferred Stock will not be redeemable.

**Conversion rights**

***Mandatory conversion***

Each outstanding share of the Mandatory Convertible Preferred Stock will automatically convert on June 29, 2018 (the mandatory conversion date) into a number of shares of our common stock equal to the conversion rate described below, unless such share of the Mandatory Convertible Preferred Stock has been previously redeemed in the manner described in Acquisition termination redemption or converted in the manner described in Conversion rights Early conversion at the option of the holder or Conversion rights Early conversion at the option of the holder upon a fundamental change; provided that if the mandatory conversion date is not a business day, the mandatory conversion date will be postponed to the following business day and; provided, further, that if the applicable market value (as defined below) is first determinable on a date later than the mandatory conversion date because there are one or more scheduled trading days that are not trading days during the 20 consecutive scheduled trading day period commencing on and including the 22nd scheduled trading day prior to June 29, 2018, the mandatory conversion date will be postponed to such later date.

The conversion rate, which is the number of shares of common stock issuable upon conversion of each share of the Mandatory Convertible Preferred Stock on the applicable conversion date (excluding shares of common stock, if any, issued in respect of accumulated and unpaid dividends), will be as follows:

if the applicable market value of our common stock is equal to or greater than \$ , which we refer to as the threshold appreciation price, then the conversion rate will be shares of our common stock per share of Mandatory Convertible Preferred Stock (the minimum conversion rate), which is equal to \$100.00 divided by the threshold appreciation price;

if the applicable market value of our common stock is less than the threshold appreciation price but greater than \$ (i.e., the initial price), then the conversion rate will be equal to \$100.00 divided by the applicable market value of our common stock; or

if the applicable market value of our common stock is less than or equal to the initial price, then the conversion rate will be shares of common stock per share of Mandatory Convertible Preferred Stock, which we refer to as the maximum conversion rate, which is equal to \$100.00 divided by the initial price.

We refer to the minimum conversion rate and the maximum conversion rate collectively as the fixed conversion rates.

If prior to the mandatory conversion date we have not declared all or any portion of the accumulated dividends on the Mandatory Convertible Preferred Stock, the conversion rate will be adjusted so that holders receive an additional number of shares of our common stock equal to the amount of such accumulated dividends (the additional conversion amount) divided by the greater of the floor price and 97% of average price. To the

**Table of Contents**

extent that the additional conversion amount exceeds the product of such number of additional shares and the applicable market value, we will, if we are legally able to do so, declare and pay such excess amount in cash pro rata to the holders of the Mandatory Convertible Preferred Stock.

The applicable market value of our common stock is the average VWAP per share of our common stock for the 20 consecutive trading day period commencing on and including the 22nd scheduled trading day prior to June 29, 2018.

The initial price is \$ . The threshold appreciation price is \$ , which represents approximately a % appreciation over the initial price. Each of the fixed conversion rates, the initial price, the threshold appreciation price and the applicable market value are subject to adjustment as described under Conversion rights Conversion rate adjustments below.

Based on the foregoing, if the market price of our common stock on the mandatory conversion date (subject to postponement as described above) is the same as the applicable market value, the aggregate market value of the shares of our common stock you receive upon mandatory conversion (other than any shares of our common stock received in connection with any dividend payment) will be:

greater than the initial liquidation preference of the Mandatory Convertible Preferred Stock, if the applicable market value is greater than the threshold appreciation price;

equal to the initial liquidation preference, if the applicable market value is less than or equal to the threshold appreciation price and greater than or equal to the initial price; and

less than the initial liquidation preference, if the applicable market value is less than the initial price.

***Early conversion at the option of the holder***

Holders of the Mandatory Convertible Preferred Stock will have the right to convert the Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of Mandatory Convertible Preferred Stock), at any time prior to the mandatory conversion date, other than during the fundamental change conversion period (as defined below), into shares of our common stock at the minimum conversion rate of shares of our common stock per share of the Mandatory Convertible Preferred Stock, subject to adjustment as described under Conversion rights Conversion rate adjustments below.

If, as of the effective date of any early conversion (the early conversion date ), we have not declared all or any portion of the accumulated dividends for all dividend periods ending on a dividend payment date prior to such early conversion date, the conversion rate for such early conversion will be adjusted so that holders converting their shares of Mandatory Convertible Preferred Stock at such time receive an additional number of shares of our common stock equal to such amount of accumulated and unpaid dividends for such prior dividend periods, divided by the greater of the floor price and the average VWAP per share of our common stock over the 20 consecutive trading day period commencing on and including the 22nd scheduled trading day prior to the early conversion date (the early conversion average price ). To the extent that the cash amount of the accumulated and unpaid dividends for prior dividend periods ending on a dividend payment date prior to the relevant early conversion date exceeds the value of the product of the number of additional shares added to the conversion rate and the early conversion average price, we will not have any obligation to pay the shortfall in cash.

Except as described above, upon any optional conversion of any Mandatory Convertible Preferred Stock, we will make no payment or allowance for unpaid dividends on such Mandatory Convertible Preferred Stock, unless such early conversion date occurs after the record date for a declared dividend and on or prior to the immediately succeeding dividend payment date, in which case such dividend will be paid on such dividend payment date to the holder of record of the converted shares of Mandatory Convertible Preferred Stock as of such record date, as described under Dividends above.

---

**Table of Contents**

***Early conversion at the option of the holder upon a fundamental change***

If a fundamental change (as defined below) occurs on or prior to the mandatory conversion date, holders of the Mandatory Convertible Preferred Stock will have the right to:

(1) convert their Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of Mandatory Convertible Preferred Stock):

(i) into shares of our common stock at the conversion rate determined using the table below (the fundamental change conversion rate ); or

(ii) units of exchange property based on the fundamental change conversion rate if the fundamental change also constitutes a reorganization event described under Recapitalizations, reclassifications and changes of our common stock ;

(2) with respect to such converted shares, receive a fundamental change dividend make-whole amount (as defined below) payable in cash or shares of our common stock (or, if applicable, units of exchange property); and

(3) with respect to such converted shares, receive the accumulated dividend amount (as defined below) payable in cash or shares of our common stock (or, if applicable, units of exchange property),

subject, in the case of clauses (2) and (3) above, to certain limitations with respect to the number of shares of our common stock that we will be required to deliver, all as described below in Fundamental change dividend make-whole amount and accumulated dividend amount .

Notwithstanding clauses (2) and (3) above, if the effective date of a fundamental change or the relevant fundamental change conversion date falls during a dividend period for which we have declared a dividend on the Mandatory Convertible Preferred Stock, we will pay such dividend on the relevant dividend payment date to the holders of record on the immediately preceding record date, as described in Dividends. In such case the accumulated dividend amount will not include the amount of such dividend, and the fundamental change dividend make-whole amount will not include the present value of such dividend.

To exercise this right, holders must submit their Mandatory Convertible Preferred Stock for conversion at any time during the period (the fundamental change conversion period ) from, and including, the effective date of such fundamental change (as defined below) (the effective date ) to, but excluding, the earlier of (x) the mandatory conversion date and (y) the date selected by us that is not less than 30 and not more than 60 days after the effective date (the fundamental change conversion date ), at the conversion rate specified in the table below (the fundamental change conversion rate ). Holders of Mandatory Convertible Preferred Stock who do not submit their shares for conversion during the fundamental change conversion period will not be entitled to convert their Mandatory Convertible Preferred Stock at the fundamental change conversion rate or to receive the fundamental change dividend make-whole amount or, in connection with the fundamental change, the accumulated dividend amount.

We will notify holders, to the extent practicable, at least 20 calendar days prior to the anticipated effective date of such fundamental change, but in any event not later than two business days following our becoming aware of the occurrence of a fundamental change; provided that we will not be required to deliver such notice before such date that we would otherwise be required to deliver notice pursuant to applicable securities laws or the rules of any securities exchange on which shares of our common stock are then traded (the fundamental change company notice ). Such fundamental change company notice will state, among other things, whether we have elected to pay all or any portion of accumulated and unpaid dividends in shares of our common stock or units of exchange property, as the case may be, and, if so, the portion thereof (as a percentage) that will be paid in shares of our common stock or units of exchange property.

**Table of Contents**

The table below sets forth the fundamental change conversion rate per share of Mandatory Convertible Preferred Stock based on the effective date of the fundamental change and the stock price paid (or deemed paid) per share of our common stock in the fundamental change (as described below).

Effective date	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
June , 2015											
December 31, 2015											
June 30, 2016											
December 31, 2016											
June 30, 2017											
December 31, 2017											
June 29, 2018											

The exact stock price and effective date may not be set forth in the table, in which case:

if the stock price is between two stock price amounts in the table or the effective date is between two dates in the table, the fundamental change conversion rate will be determined by straight-line interpolation between the fundamental change conversion rates set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year;

if the stock price is greater than \$ per share (subject to adjustment as described below), then the fundamental change conversion rate will be the minimum conversion rate, subject to adjustment as set forth under Conversion rights Conversion rate adjustments ; and

if the stock price is less than \$ per share (subject to adjustment as described below) (the minimum stock price ), then the fundamental change conversion rate will be determined (x) as if the stock price equaled the minimum stock price and (y) if the effective date is between two dates on the table, using straight-line interpolation, as described herein, subject to adjustment.

The stock price in the fundamental change will equal:

in the case of a fundamental change described in clause (2) below in which the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock; and

otherwise, the average VWAP per share of our common stock over the five consecutive trading day period ending on, and including, the trading day immediately preceding the effective date of the fundamental change (the fundamental change market value ).

The stock prices set forth in the first row of the table (i.e., the column headers) will be adjusted as of any date on which the fixed conversion rates of the Mandatory Convertible Preferred Stock are adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the minimum conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the minimum conversion rate as so adjusted. Each of the conversion rates in the table will be subject to adjustment in the same manner as each fixed conversion rate as set forth under Conversion rights Conversion rate adjustments.

A fundamental change will be deemed to have occurred if any of the following occurs:

(1) a person or group within the meaning of Section 13(d) of the Exchange Act, other than us, our subsidiaries and our or their employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect beneficial owner, as defined in Rule 13d3 under the Exchange Act, of our common equity representing more than 50% of the voting power of our common equity or we otherwise become aware of such ownership;





**Table of Contents**

(2) the consummation of (A) any recapitalization, reclassification or change of our common stock (other than a change only in par value, from par value to no par value or from no par value to par value, or changes resulting from a subdivision or combination of our common stock) as a result of which our common stock would be converted into, or exchanged for, or represent solely the right to receive, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger of us pursuant to which our common stock will be converted into, or exchanged for, or represent solely the right to receive, stock, other securities, other property or assets; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than one of our wholly-owned subsidiaries;

(3) our stockholders approve any plan or proposal for the liquidation or dissolution of us; or

(4) our common stock (or, following a reorganization event (as defined below), any common stock, depositary receipts or other securities representing common equity interests into which the Mandatory Convertible Preferred Stock becomes convertible in connection with such reorganization event) ceases to be listed on any of the NYSE, the NASDAQ Global Select Market or the NASDAQ Global Market (or any of their respective successors) or another U.S. national securities exchange.

A transaction or transactions described in clause (2) above will not constitute a fundamental change, however, if at least 90% of the consideration received or to be received by our common stockholders (excluding cash payments for fractional shares or pursuant to appraisal rights) in connection with such transaction or transactions consists of shares of common stock that are listed on any of the NYSE, the NASDAQ Global Select Market or the NASDAQ Global Market (or any of their respective successors), or will be so listed when issued or exchanged in connection with such transaction or transactions, and as a result of such transaction or transactions the Mandatory Convertible Preferred Stock becomes convertible into such consideration, excluding cash payments for fractional shares. For the purposes of this definition of fundamental change, any transaction or event that constitutes a fundamental change under both clause (1) and clause (2) above will be deemed to constitute a fundamental change solely under clause (2) of this definition of fundamental change.

***Fundamental change dividend make-whole amount and accumulated dividend amount***

For any shares of Mandatory Convertible Preferred Stock that are converted during the fundamental change conversion period, in addition to the common stock issued upon conversion at the fundamental change conversion rate, we will at our option:

(1) pay you in cash, to the extent we are legally permitted to do so, the present value, computed using a discount rate of % per annum, of all dividend payments on your Mandatory Convertible Preferred Stock for all the remaining dividend periods (excluding any accumulated and unpaid dividends for all dividend periods ending on or prior to the dividend payment date preceding the effective date of the fundamental change as well as dividends accumulated to the effective date of the fundamental change) from such effective date to but excluding the mandatory conversion date (the fundamental change dividend make-whole amount ),

(2) increase the number of shares of common stock to be issued on conversion by a number equal to (x) the fundamental change dividend make-whole amount divided by (y) the greater of the floor price and 97% of the stock price, or

(3) pay the fundamental change dividend make whole amount in a combination of cash and shares of our common stock in accordance with the provisions of clauses (1) and (2) above.

---

**Table of Contents**

In addition, for any shares of Mandatory Convertible Preferred Stock that are converted during the fundamental change conversion period, to the extent that, as of the effective date of the fundamental change, we have not declared any or all of the accumulated dividends on the Mandatory Convertible Preferred Stock as of such effective date (including accumulated and unpaid dividends for all dividend periods ending on or prior to the dividend payment date preceding the effective date of the fundamental change as well as dividends accumulated to the effective date of the fundamental change, the accumulated dividend amount ), holders who convert Mandatory Convertible Preferred Stock within the fundamental change conversion period will be entitled to receive such accumulated dividend amount upon conversion. The accumulated dividend amount will be payable at our election in either:

cash, to the extent we are legally permitted to do so;

an additional number shares of our of common stock equal to (x) the accumulated dividend amount divided by (y) the greater of the floor price and 97% of the stock price; or

a combination of cash and shares of our common stock in accordance with the provisions of the preceding two bullets.

We will pay the fundamental change dividend make-whole amount and the accumulated dividend amount in cash, except to the extent we elect on or prior to the second business day following the effective date of a fundamental change to make all or any portion of such payments in shares of our common stock. In addition, if we elect to deliver shares of our common stock in respect of all or any portion of the fundamental change dividend make-whole amount or accumulated dividend amount, to the extent that the fundamental change dividend make-whole amount or the accumulated dividend amount or any portion thereof paid in shares of our common stock exceeds the product of the number of additional shares we deliver in respect thereof and 97% of the stock price, we will, if we are legally able to do so, declare and pay such excess amount in cash.

Not later than the second business day following the effective date of a fundamental change (or, if we provide notice to holders of the fundamental change after the effective date of a fundamental change as described above, on the date we give holders notice of the effective date of a fundamental change), we will notify holders of:

the fundamental change conversion rate;

the fundamental change dividend make-whole amount and whether we will pay such amount in cash, shares of our common stock or a combination thereof, specifying the combination, if applicable; and

the accumulated dividend amount as of the effective date of the fundamental change and whether we will pay such amount in cash, shares of our common stock or a combination thereof, specifying the combination, if applicable.

Our obligation to adjust the conversion rate in connection with a fundamental change and pay the fundamental change dividend make-whole amount (whether in cash or shares of our common stock or any combination thereof) could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

***Conversion procedures***

Any outstanding shares of Mandatory Convertible Preferred Stock will automatically convert into shares of our common stock on the mandatory conversion date (subject to postponement as described above under Mandatory conversion ). The person or persons entitled to receive the shares of our common stock issuable upon conversion of the Mandatory Convertible Preferred Stock will be treated as the record holder(s) of such

**Table of Contents**

shares as of 5:00 p.m., New York City time, on the mandatory conversion date (subject to postponement as described above under Mandatory conversion ). Except as provided in Conversion rate adjustments , prior to 5:00 p.m., New York City time, on the mandatory conversion date, the shares of our common stock issuable upon conversion of the Mandatory Convertible Preferred Stock will not be outstanding for any purpose and you will have no rights with respect to such shares of common stock, including, without limitation, voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on our common stock, in each case by virtue of holding the Mandatory Convertible Preferred Stock.

If you elect to convert your Mandatory Convertible Preferred Stock prior to the mandatory conversion date, in the manner described in Early conversion at the option of the holder, or Early conversion at the option of the holder upon a fundamental change, you must observe the following conversion procedures:

if the shares of Mandatory Convertible Preferred Stock are in global form, to convert your shares of Mandatory Convertible Preferred Stock you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program; or

if your shares of Mandatory Convertible Preferred Stock are held in certificated form, you must comply with certain procedures set forth in our Certificate of Incorporation or the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock. The conversion date will be the date on which you have satisfied the foregoing requirements. You will not be required to pay any taxes or duties relating to the issuance or delivery of shares of our common stock if you exercise your conversion rights, but you will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the shares of common stock in a name other than your own.

Shares of common stock will be issued and delivered only after all applicable taxes and duties, if any, payable by you have been paid in full and will be issued on the later of the third business day immediately succeeding the conversion date and the business day after you have paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the common stock issuable upon conversion of the Mandatory Convertible Preferred Stock prior to the mandatory conversion date will be treated as the record holder(s) of such shares as of 5:00 p.m., New York City time, on the applicable conversion date. Prior to 5:00 p.m., New York City time, on the applicable conversion date, the common stock issuable upon conversion of the Mandatory Convertible Preferred Stock will not be outstanding for any purpose and you will have no rights with respect to such common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Mandatory Convertible Preferred Stock. No fractional shares of our common stock will be issued to holders of shares of the Mandatory Convertible Preferred Stock upon conversion. In lieu of any fractional shares of common stock otherwise issuable upon conversion (including in connection with a dividend payment), that holder will be entitled to receive an amount in cash (computed to the nearest cent) based on the VWAP per share of our common stock on the trading day immediately preceding the applicable conversion date. If more than one share of the Mandatory Convertible Preferred Stock is surrendered for conversion at one time by or for the same holder, the number of full shares of our common stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Mandatory Convertible Preferred Stock so surrendered.

**Table of Contents**

*Conversion rate adjustments*

Each fixed conversion rate will be adjusted from time to time as follows:

(i) If we issue our common stock as a dividend or distribution to all or substantially all holders of our common stock, or if we effect a subdivision or combination (including, without limitation, a stock split or a reverse stock split) of our common stock, each fixed conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

Where,

$CR_0$  = the fixed conversion rate in effect immediately prior to 5:00 p.m., New York City time, on the record date (as defined below) for such dividend or distribution or immediately prior to 9:00 a.m., New York City time, on the effective date for such subdivision or combination, as the case may be;

$CR_1$  = the fixed conversion rate in effect immediately after 5:00 p.m., New York City time, on such record date or immediately after 9:00 a.m., New York City time, on such effective date, as the case may be;

$OS_0$  = the number of shares of our common stock outstanding immediately prior to 5:00 p.m., New York City time, on such record date or immediately prior to 9:00 a.m., New York City time, on such effective date, as the case may be (and prior to giving effect to such event); and

$OS$  = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such dividend, distribution, subdivision or combination.

Any adjustment made under this clause (i) will become effective immediately after 5:00 p.m., New York City time, on the record date for such dividend or distribution, or immediately after 9:00 a.m., New York City time, on the effective date for such subdivision or combination, as the case may be. If any dividend, distribution, subdivision or combination of the type described in this clause (i) is declared but not so paid or made, each fixed conversion rate will be immediately readjusted, effective as of the earlier of (a) the date our board of directors or a duly authorized committee thereof determines not to pay or make such dividend, distribution, subdivision or combination and (b) the date the dividend or distribution was to be paid or the date the subdivision or combination was to have been effective, to the fixed conversion rate that would then be in effect if such dividend, distribution, subdivision or combination had not been declared.

(ii) If we issue to all or substantially all holders of our common stock any rights, options or warrants entitling them for a period expiring 60 days or less from the date of issuance of such rights, options or warrants to subscribe for or purchase shares of our common stock at less than the average VWAP per share of our common stock for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date of announcement for such issuance, each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{(OS_0 + X)}{(OS_0 + Y)}$$

**Table of Contents**

where,

- CR<sub>0</sub> = the fixed conversion rate in effect immediately prior to 5:00 p.m., New York City time, on the record date for such issuance;
- CR<sub>1</sub> = the fixed conversion rate in effect immediately after 5:00 p.m., New York City time, on such record date;
- OS<sub>0</sub> = the number of shares of our common stock outstanding immediately prior to 5:00 p.m., New York City time, on such record date;
- X = the number of shares of our common stock issuable pursuant to such rights, options or warrants; and
- Y = the aggregate price payable to exercise such rights, options or warrants, divided by the average VWAP per share of our common stock for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date of announcement for such issuance.

Any increase in the fixed conversion rates made pursuant to this clause (ii) will become effective immediately after 5:00 p.m., New York City time, on the record date for such issuance. To the extent such rights, options or warrants are not exercised prior to their expiration or termination, each fixed conversion rate will be decreased, effective as of the date of such expiration or termination, to the fixed conversion rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of common stock actually delivered. If such rights, options or warrants are not so issued, each fixed conversion rate will be decreased, effective as of the earlier of (a) the date our board of directors or a duly authorized committee thereof determines not to issue such rights, options or warrants and (b) the date such rights, options or warrants were to have been issued, to the fixed conversion rate that would then be in effect if such issuance had not been announced.

For purposes of this clause (ii), in determining whether any rights, options or warrants entitle the holders thereof to subscribe for or purchase shares of our common stock at less than average VWAP per share of our common stock for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date of announcement for such issuance, and in determining the aggregate price payable to exercise such rights, options or warrants, there will be taken into account any consideration we receive for such rights, options or warrants and any amount payable on exercise thereof, with the value of such consideration, if other than cash, to be determined by our board of directors or a duly authorized committee thereof, which determination shall be final.

(iii) If we pay a dividend or other distribution to all or substantially all holders of our common stock of shares of our capital stock (other than our common stock), evidences of our indebtedness, our assets or rights to acquire our capital stock, our indebtedness or our assets, excluding:

- (a) any dividend, distribution or issuance as to which an adjustment was effected pursuant to clause (i) or (ii) above;
- (b) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to clause (iv) below;
- (c) spin-offs as to which the provisions set forth below in this clause (iii) apply; and
- (d) any dividends or distributions in connection with a reorganization event that is included in exchange property (as described below),

**Table of Contents**

then each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{(SP_0 - FMV)}$$

where,

- $CR_0$  = the fixed conversion rate in effect immediately prior to 5:00 p.m., New York City time, on the record date for such dividend or distribution;
- $CR_1$  = the fixed conversion rate in effect immediately after 5:00 p.m., New York City time, on such record date;
- $SP_0$  = the average VWAP per share of our common stock for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the ex-dividend date for such dividend or distribution; and
- $FMV$  = the fair market value (as determined in good faith by our board of directors or a duly authorized committee thereof, which determination shall be final) on the ex-dividend date for such dividend or distribution of shares of our capital stock (other than our common stock), evidences of our indebtedness, our assets or rights to acquire our capital stock, our indebtedness or our assets, expressed as an amount per share of our common stock.

If our board of directors or a duly authorized committee thereof determines the  $FMV$  (as defined above) of any dividend or other distribution for purposes of this clause (iii) by referring to the actual or when-issued trading market for any securities, it will in doing so consider the prices in such market over the average VWAP per share of our common stock for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the record date for such dividend or distribution.

Notwithstanding the foregoing, if  $FMV$  (as defined above) is equal to or greater than  $SP_0$  (as defined above), in lieu of the foregoing increase, each holder of shares of the Mandatory Convertible Preferred Stock will receive, in respect of each share thereof, at the same time and upon the same terms as holders of our common stock, the amount and kind of shares of our capital stock (other than our common stock), evidences of our indebtedness, our assets or rights to acquire our capital stock, our indebtedness or our assets that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum conversion rate in effect immediately prior to the close of business on the record date for such dividend or other distribution.

Any increase made under the portion of this clause (iii) above will become effective immediately after 5:00 p.m., New York City time, on the record date for such dividend or other distribution. If such dividend or other distribution is not so paid or made, each fixed conversion rate will be decreased, effective as of the earlier of (a) the date our board of directors or a duly authorized committee thereof determines not to pay the dividend or other distribution and (b) the date such dividend or distribution was to have been paid, to the fixed conversion rate that would then be in effect if the dividend or other distribution had not been declared.

**Table of Contents**

If the transaction that gives rise to an adjustment pursuant to this clause (iii) is one pursuant to which the payment of a dividend or other distribution on our common stock consists of shares of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours (i.e., a spin-off) that are, or, when issued, will be, traded on a U.S. national securities exchange or a reasonably comparable non-U.S. equivalent, then each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{(FMV_0 + MP_0)}{(MP_0)}$$

where,

- CR<sub>0</sub> = the fixed conversion rate in effect at 5:00 p.m., New York City time, on the tenth trading day immediately following, and including, the ex-dividend date for such dividend or distribution;
- CR<sub>1</sub> = the fixed conversion rate in effect immediately after 5:00 p.m., New York City time, on the tenth trading day immediately following, and including, the ex-dividend date for such dividend or distribution;
- FMV<sub>0</sub> = the average VWAP per share of such capital stock or similar equity interests distributed to holders of our common stock applicable to one share of our common stock over the 10 consecutive trading day period commencing on, and including, the ex- dividend date for such dividend or distribution; and
- MP<sub>0</sub> = the average VWAP per share of our common stock over the 10 consecutive trading day period commencing on, and including, the ex-dividend date for such dividend or distribution.

The adjustment to each fixed conversion rate under the immediately preceding paragraph will occur at 5:00 p.m., New York City time, on the 10th consecutive trading day immediately following, and including, the ex-dividend date for such dividend or distribution, but will be given effect as of 9:00 a.m., New York City time, on the date immediately following the record date for such dividend or distribution. Because we will make the adjustments to the fixed conversion rates at the end of the 10 consecutive trading day period with retroactive effect, we will delay the settlement of any conversion of shares of the Mandatory Convertible Preferred Stock if the conversion date occurs after the record date for such dividend or other distribution and prior to the end of such 10 consecutive trading day period. In such event, we will deliver the shares of common stock issuable in respect of such conversion (based on the adjusted fixed conversion rates as described above) on the first business day immediately following the last trading day of such 10 consecutive trading day period.

(iv) If we pay a distribution consisting exclusively of cash to all or substantially all holders of our common stock, excluding any regular quarterly cash dividends or distributions of up to \$0.105 per share of our common stock (the initial dividend threshold), each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{(SP_0 - C)}$$

**Table of Contents**

where,

$CR_0$  = the fixed conversion rate in effect immediately prior to 5:00 p.m., New York City time, on the record date for such distribution;

$CR_1$  = the fixed conversion rate in effect immediately after 5:00 p.m., New York City time, on the record date for such distribution;

$SP_0$  = the average VWAP per share of our common stock over the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the ex-dividend date for such distribution;

$C$  = an amount of cash per share of our common stock we distribute to holders of our common stock; *provided* that in the case of a regular quarterly cash dividend or distribution, such amount shall only include the amount of such dividend or distribution in excess of the initial dividend threshold.

Notwithstanding the foregoing, if  $C$  (as defined above) is equal to or greater than  $SP_0$  (as defined above), in lieu of the foregoing increase, each holder of shares of the Mandatory Convertible Preferred Stock will receive, in respect of each share thereof, at the same time and upon the same terms as holders of shares of our common stock, the amount of cash that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum conversion rate in effect immediately prior to 5:00 p.m., New York City time, on the record date for such distribution.

The initial dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the fixed conversion rates; *provided* that no adjustment will be made to the initial dividend threshold for any adjustment made to the fixed conversion rates under this clause (iv).

Any adjustment to the fixed conversion rates pursuant to this clause (iv) will become effective immediately after 5:00 p.m., New York City time, on the record date for such distribution. If such distribution is not so paid, the fixed conversion rates will be decreased, effective as of the earlier of (a) the date our board of directors or a duly authorized committee thereof determines not to pay such dividend and (b) the date such dividend was to have been paid, to the fixed conversion rates that would then be in effect if such distribution had not been declared.

(v) If we or one or more of our subsidiaries purchases our common stock pursuant to a tender offer or exchange offer pursuant to a Schedule TO or registration statement on Form S-4 for our common stock (excluding any securities convertible or exchangeable for our common stock, and except as provided below, and the cash and value of any other consideration included in the payment per share of our common stock validly tendered or exchanged exceeds the average VWAP per share of our common stock over the 10 consecutive trading day period commencing on, and including, the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the expiration date), each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{(FMV + (SP_1 \times OS_1))}{(SP_1 \times OS_0)}$$



**Table of Contents**

where,

$CR_0$  = the fixed conversion rate in effect immediately prior to 5:00 p.m., New York City time, on the tenth trading day immediately following, and including, the trading day next succeeding the expiration date;

$CR_1$  = the fixed conversion rate in effect immediately after 5:00 p.m., New York City time, on the tenth trading day immediately following, and including, the trading day next succeeding the expiration date;

FMV = the fair market value (as determined in good faith by our board of directors or a duly authorized committee thereof) as of the expiration date of the aggregate value of all cash and any other consideration paid or payable for shares of our common stock validly tendered or exchanged and not withdrawn as of the expiration date (the purchased shares);

$OS_1$  = the number of shares of our common stock outstanding as of the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the expiration time), less any purchased shares;

$OS_0$  = the number of shares of our common stock outstanding at the expiration time, including any purchased shares; and

$SP_1$  = the average VWAP per share of our common stock over the 10 consecutive trading day period commencing on, and including, the trading day next succeeding the expiration date.

The adjustment to each fixed conversion rate under the immediately preceding paragraph will occur at 5:00 p.m., New York City time, on the 10th consecutive trading day immediately following, and including, the trading day immediately following the expiration date, but will be given effect as of 9:00 a.m., New York City time, on the expiration date. Because we will make the adjustments to the fixed conversion rates at the end of the 10 consecutive trading day period with retroactive effect, we will delay the settlement of any conversion of shares of the Mandatory Convertible Preferred Stock if the conversion date occurs during such 10 consecutive trading day period. In such event, we will deliver the shares of common stock issuable in respect of such conversion (based on the adjusted fixed conversion rates as described above) on the first business day immediately following the last trading day of such 10 consecutive trading day period.

Record date means, for purpose of a conversion rate adjustment, with respect to any dividend, distribution or other transaction or event in which the holders of our common stock have the right to receive any cash, securities or other property or in which our common stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of our common stock entitled to receive such cash, securities or other property (whether such date is fixed by our board of directors or by statute, contract or otherwise).

Ex-dividend date means the first date on which the shares of common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance or distribution in question or, if applicable, from the seller of such common stock (in the form of due bills or otherwise) as determined by such exchange or market.

If we have in effect a shareholder rights plan while any shares of the Mandatory Convertible Preferred Stock remain outstanding, holders of shares of the Mandatory Convertible Preferred Stock will receive, upon a conversion of shares of the Mandatory Convertible Preferred Stock, in addition to common stock, rights under our shareholder rights agreement unless, prior to such conversion, the rights have expired,

**Table of Contents**

terminated or been redeemed or unless the rights have separated from our common stock. If the rights provided for in our rights plan have separated from our common stock in accordance with the provisions of the applicable rights agreement so that holders of shares of the Mandatory Convertible Preferred Stock would not be entitled to receive any rights in respect of our common stock, if any, that we are required to deliver upon conversion of shares of the Mandatory Convertible Preferred Stock, each fixed conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock, capital stock (other than our common stock), evidences of our indebtedness, our assets or rights to acquire our capital stock, our indebtedness or our assets pursuant to paragraph (iii) above, subject to readjustment upon the subsequent expiration, termination or redemption of the rights. A distribution of rights pursuant to a rights plan will not trigger a conversion rate adjustment pursuant to paragraphs (ii) or (iii) above. We currently do not have a rights plan in effect.

Notwithstanding the foregoing, no adjustment to the fixed conversion rates need be made if holders of shares of the Mandatory Convertible Preferred Stock participate in the transaction that would otherwise require an adjustment (other than in the case of a share split or share combination), at the same time, upon the same terms and otherwise on the same basis as holders of our common stock and solely as a result of holding shares of the Mandatory Convertible Preferred Stock, as if such holders held a number of shares of our common stock equal to the maximum conversion rate as of the record date for such transaction, multiplied by the number of shares of the Mandatory Convertible Preferred Stock held by such holders.

The fixed conversion rates will not be adjusted except as provided above. Without limiting the foregoing, the fixed conversion rates will not be adjusted for:

the issuance of any shares of our common stock (or rights with respect thereto) pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in our common stock under any plan;

the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan, employee agreement or arrangement or program of ours or any of our subsidiaries;

the issuance of any shares of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the issue date;

a change solely in the par value of our common stock;

stock repurchases that are not tender offers, including structured or derivative transactions;

as a result of a tender offer solely to holders of fewer than 100 shares of our common stock;

a third-party tender or exchange offer; or

the payment of dividends on the Mandatory Convertible Preferred Stock, whether in cash or in shares of our common stock. All required calculations will be made to the nearest cent or 1/10,000th of a share.

In addition, we may make such increases in each fixed conversion rate as we deem advisable in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of our shares (or issuance of rights or warrants to acquire our shares) or from any event treated as such for income tax purposes or for any other reason. We may only make such a discretionary adjustment if we make the same proportionate adjustment to each fixed conversion rate.



## **Table of Contents**

We will be required, within 10 business days after the conversion rate is adjusted, to provide or cause to be provided written notice of the adjustment to the holders of shares of Mandatory Convertible Preferred Stock. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to each fixed conversion rate was determined and setting forth each revised fixed conversion rate.

Adjustments to the fixed conversion rates will be calculated to the nearest 1/10,000th of a share of our common stock. Prior to the mandatory conversion date, no adjustment in a fixed conversion rate will be required unless the adjustment would require an increase or decrease of at least one percent in such fixed conversion rate. If any adjustment is not required to be made because it would not change the fixed conversion rates by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment; provided, however, that on the earlier of the mandatory conversion date, an early conversion date and the effective date of a fundamental change, adjustments to the fixed conversion rates will be made with respect to any such adjustment carried forward that has not been taken into account before such date.

If an adjustment is made to the fixed conversion rates, an inversely proportional adjustment also will be made (x) to the threshold appreciation price and the initial price solely for the purposes of determining which clause of the definition of the conversion rate will apply on the conversion date and (y) to the floor price. Because (a) the applicable market value is an average VWAP per share of our common stock over a 20 consecutive trading day period, (b) the fundamental change market value and (c) the acquisition termination market value is an average VWAP per share of our common stock over a five consecutive trading day period, we will make appropriate adjustments (including, without limitation, to the VWAP per share used to calculate the applicable market value, the fundamental change market value and the acquisition termination market value, as the case may be) to account for any adjustments to the fixed conversion rates that become effective during the period in which the applicable market value or the fundamental change market value, as the case may be, is being calculated.

## **Recapitalizations, reclassifications and changes of our common stock**

In the event of:

any reclassification of our common stock (other than changes only in par value or resulting from a subdivision or combination);

any consolidation or merger of us with or into another person or any statutory exchange or binding share exchange; or

any sale, transfer, lease or conveyance to another person of all or substantially all the property and assets of us and our subsidiaries; in each case, as a result of which the shares of our common stock are exchanged for, or converted into, other securities, property or assets (including cash or any combination thereof) (any such event, a reorganization event), then, at the effective time of such reorganization event, each share of Mandatory Convertible Preferred Stock outstanding immediately prior to such reorganization event will, without the consent of the holders of the Mandatory Convertible Preferred Stock, become convertible into the kind and amount of such other securities, property or assets (including cash or any combination thereof) that holders of our common stock received in such reorganization event (the exchange property), and, at the effective time of such reorganization event, we will amend the Certificate of Designations to provide for such change in the convertibility of the Mandatory Convertible Preferred Stock; *provided* that if the kind and amount of exchange property receivable upon such reorganization event is not the same for each share of our common stock held immediately prior to such

## **Table of Contents**

reorganization event by a person, then the exchange property receivable upon such reorganization event will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make an election with respect to the kind and amount of exchange property so receivable (or of all such holders if none makes an election). The conversion rate then in effect will be applied on the applicable conversion date to the amount of such exchange property received per share of our common stock in the reorganization event (a unit of exchange property), as determined in accordance with this section. For the purpose of determining which bullet of the definition of conversion rate will apply on the mandatory conversion date (subject to postponement as described above under Mandatory conversion) and for the purpose of calculating the conversion rate if the second bullet in the definition thereof is applicable, the value of a unit of exchange property will be determined in good faith by our board of directors or a duly authorized committee thereof, except that if a unit of exchange property includes common stock or ADRs that are traded on a U.S. national securities exchange, the value of such common stock or ADRs will be the average VWAP for a share of such common stock or a single ADR, as the case may be, for the 20 consecutive trading day period commencing on and including the 22nd scheduled trading day prior to the mandatory conversion date (or for the purpose of determining the stock price on a fundamental change conversion date, the value of such common stock or ADRs will be the average VWAP for a share of such common stock or a single ADR, as the case may be, for the five consecutive trading day period ending on, and including, the trading day immediately preceding the effective date). For the purpose of paying accumulated and unpaid dividends in units of exchange property as contemplated under Method of payment of dividends, the value of a unit of exchange property (other than cash) will equal 97% of the value determined pursuant to the immediately preceding sentence.

The above provisions of this section will similarly apply to successive reorganization events and the Conversion rights Conversion rate adjustments section will apply to any shares of our capital stock (or of any successor) received by the holders of our common stock in any such reorganization event.

The amendment to the Certificate of Designations providing that the Mandatory Convertible Preferred Stock will be convertible into exchange property will also provide for anti-dilution and other adjustments that are as nearly equivalent as possible to the adjustments described under Conversion rate adjustments above. We will agree in the Certificate of Designations for the Mandatory Convertible Preferred Stock not to become a party to any such transaction unless its terms are consistent with the foregoing.

We (or any successor of us) will, as soon as reasonably practicable (but in any event within five business days) after the occurrence of any reorganization event, provide written notice to the holders of the Mandatory Convertible Preferred Stock of such occurrence of such event and of the kind and amount of the cash, securities or other property that constitute the exchange property. Failure to deliver such notice will not affect the operation of this section or the effectiveness of such transaction.

## **Liquidation preference**

In the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, each holder of shares of the Mandatory Convertible Preferred Stock will be entitled to receive out of our assets available for distribution to our stockholders, subject to rights of our creditors, before any payment or distribution is made to holders of junior stock (including our common stock), payment in full of the amount of \$100.00 per share of the Mandatory Convertible Preferred Stock, plus an amount equal to any accumulated and unpaid dividends, whether or not declared, on such shares to (but not including) the date fixed for liquidation, dissolution or winding-up. If in any such distribution our assets or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of the Mandatory Convertible Preferred Stock and any other stock ranking equally with the Mandatory Convertible Preferred Stock as to such distribution, the holders of shares of the Mandatory Convertible Preferred Stock and such other stock will share ratably in any such

## **Table of Contents**

distribution in proportion to the full accrued and unpaid respective distributions to which they are entitled. After payment of the full amount of the liquidation preference, including an amount equal to any accumulated and unpaid dividends, to which they are entitled, the holders of the Mandatory Convertible Preferred Stock will have no right or claim to any of our remaining assets.

Neither the sale, lease or exchange (for cash, securities or other property) of all or substantially all our assets, nor our merger or consolidation with any other corporation or other entity, will be deemed to be a liquidation, dissolution or winding-up of our company.

The Certificate of Designations will not contain any provision requiring funds to be set aside to protect the liquidation preference of the Mandatory Convertible Preferred Stock even though it is substantially in excess of the par value thereof.

## **Voting rights**

The holders of shares of the Mandatory Convertible Preferred Stock will have no voting rights in respect of such shares except as set forth below or as otherwise required by law or our Certificate of Incorporation from time to time. In matters where holders of the Mandatory Convertible Preferred Stock are entitled to vote, each share of the Mandatory Convertible Preferred Stock shall be entitled to one vote.

### ***Preferred directors***

Whenever, at any time or times, dividends payable on the shares of the Mandatory Convertible Preferred Stock have not been paid for an aggregate of six or more dividend periods, whether or not consecutive (an event of non-payment), the holders of the Mandatory Convertible Preferred Stock will have the right, with holders of shares of any one or more other classes or series of outstanding parity stock upon which like voting rights have been conferred and are exercisable at the time, voting together as a class (and with voting rights allocated pro rata based on the liquidation preference of each such class or series), to elect two directors (together, the preferred directors and each, a preferred director) at the next annual meeting or special meeting of our stockholders and at each subsequent annual meeting or special meeting of our stockholders until all accumulated and unpaid dividends have been paid in full or fully set aside for payment on the Mandatory Convertible Preferred Stock, at which time such right will terminate, except as otherwise provided in this prospectus supplement or expressly provided by law, subject to re-vesting in the event of each and every event of non-payment; *provided* that it will be a qualification for election for any preferred director that the election of such preferred director will not cause us to violate any corporate governance requirements of any securities exchange or other trading facility on which our securities may then be listed or traded that listed or traded companies, including that we have a majority of independent directors.

Upon any termination of the right set forth in the immediately preceding paragraph, the preferred directors will cease to be qualified as directors, the term of office of all preferred directors then in office will terminate immediately, and the authorized number of directors will be reduced by the number of preferred directors elected as described above.

Any preferred director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only at a meeting of our stockholders at which this is a permitted action by the affirmative vote of the holders of a majority in voting power of the shares of the Mandatory Convertible Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of parity stock upon which like voting rights have been conferred and are exercisable at the time (and with voting rights allocated pro rata based on the liquidation preference of each such class or series), to the extent the voting rights of such holders described above are then exercisable. If the office of any preferred director becomes vacant for any reason

## **Table of Contents**

other than removal from office as described above, the remaining preferred director may choose a successor who will hold office for the unexpired term in respect of which such vacancy occurred.

At any time after the right of the holders of the Mandatory Convertible Preferred Stock to elect directors has become vested and is continuing but a meeting of our stockholders to elect such directors has not yet been held, or if a vacancy shall exist in the office of any such preferred director that has not been filled by the remaining preferred director, our board of directors may, but shall not be required to, call a special meeting of the holders of the Mandatory Convertible Preferred Stock and any one or more classes or series of outstanding parity stock upon which like voting rights have been conferred and are exercisable at the time, for the purpose of electing the directors that such holders are entitled to elect; *provided* that in the event our board of directors does not call such special meeting, such election will be held at the next annual meeting. At any such meeting held for the purpose of electing such a director (whether at an annual meeting or special meeting), the presence in person or by proxy of the holders of shares representing at least a majority of the voting power of the Mandatory Convertible Preferred Stock and any parity stock having similar voting rights shall be required to constitute a quorum of the Mandatory Convertible Preferred Stock and any parity stock having similar voting rights. The affirmative vote of the holders of the Mandatory Convertible Preferred Stock and any parity stock having similar voting rights constituting a majority of the voting power of such shares present at such meeting, in person or by proxy, shall be sufficient to elect any such director.

### ***When a supermajority vote is required***

In addition to any other vote or consent of stockholders required by law or our Certificate of Incorporation, the affirmative vote or consent of the holders of at least two-thirds in voting power of the outstanding shares of the Mandatory Convertible Preferred Stock and all other parity stock having similar voting rights that are exercisable at the time (subject to the last paragraph of this section *When a supermajority vote is required* ), voting as a single class (and with voting rights allocated pro rata based on the liquidation preference of each such class or series), given in person or by proxy, either in writing without a meeting or by vote at any meeting called for such purpose, or by written consent in lieu of such meeting, will be required to:

amend or alter our Certificate of Incorporation or the Certificate of Designations to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of our capital stock ranking senior to the Mandatory Convertible Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on our liquidation, dissolution or winding-up;

amend, alter or repeal any provision of our Certificate of Incorporation or Certificate of Designations (including, unless no vote on such merger or consolidation is required in accordance with the following bullet, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock; or

consummate a binding share exchange, a reclassification involving the Mandatory Convertible Preferred Stock, or a merger or consolidation of us with another corporation or other entity, unless in each case (x) the Mandatory Convertible Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, is converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) the Mandatory Convertible Preferred Stock remaining outstanding or such new preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Mandatory Convertible Preferred Stock immediately prior to such consummation, taken as a whole;

## **Table of Contents**

*provided, however,* that the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to pre-emptive or similar rights or otherwise, of any series of preferred stock, or any securities convertible into or exchangeable or exercisable for any other series of preferred stock (including the Mandatory Convertible Preferred Stock), ranking equally with and/or junior to the Mandatory Convertible Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon our liquidation, dissolution or winding-up, shall not be deemed to adversely affect the rights, preferences or voting powers, and shall not require the affirmative vote or consent of, the holders of the shares of the Mandatory Convertible Preferred Stock.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified above would adversely affect one or more but not all series of parity stock (including the Mandatory Convertible Preferred Stock for this purpose), then only the one or more series of parity stock adversely affected and entitled to vote, rather than all series of parity stock, shall vote as a class.

Without the consent of the holders of the Mandatory Convertible Preferred Stock, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock, and limitations and restrictions thereof, we may amend, alter, supplement, or repeal any terms of the Mandatory Convertible Preferred Stock for the following purposes:

to cure any ambiguity or mistake, or to correct or supplement any provision contained in the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock that may be defective or inconsistent with any other provision contained in such Certificate of Designations;

to make any provision with respect to matters or questions relating to the Mandatory Convertible Preferred Stock that is not inconsistent with the provisions of the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock; or

to waive any of our rights with respect thereto; provided that any such amendment, alteration, supplement or repeal of any terms of the Mandatory Convertible Preferred Stock effected in order to conform the terms thereof to the description of the terms of the Mandatory Convertible Preferred Stock set forth under **Description of Mandatory Convertible Preferred Stock** in this prospectus supplement shall be deemed not to adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Mandatory Convertible Preferred Stock.

## **Reservation of common stock**

We will at all times reserve and keep available out of the authorized and unissued shares of common stock, solely for issuance, the full number of shares of common stock issuable upon payment of accumulated and unpaid dividends and upon conversion of the Mandatory Convertible Preferred Stock at the maximum conversion rate then in effect.

## **Listing**

We intend to apply to list the Mandatory Convertible Preferred Stock on the NASDAQ Global Select Market, and, if approved, we expect trading on the NASDAQ Global Select Market to begin within 30 days of the initial issuance of the Mandatory Convertible Preferred Stock. Upon listing, we have agreed to use our reasonable best efforts to keep the Mandatory Convertible Preferred Stock listed on the NASDAQ Global Select Market. Listing the Mandatory Convertible Preferred Stock on the NASDAQ Global Select Market does not guarantee that a trading market will develop or, if a trading market does develop, the depth of that market or the ability of holders to sell their shares of the Mandatory Convertible Preferred Stock.



## **Table of Contents**

### **Transfer agent, registrar and conversion and dividend disbursing agent**

Computershare Trust Company, N.A. will serve as transfer agent, registrar and conversion and dividend disbursing agent for the Mandatory Convertible Preferred Stock.

### **Book-entry, delivery and form**

The Mandatory Convertible Preferred Stock will be issued in global form. DTC or its nominee will be the sole registered holder of the Mandatory Convertible Preferred Stock. Ownership of beneficial interests in the Mandatory Convertible Preferred Stock in global form will be limited to persons who have accounts with DTC ( participants ) or persons who hold interests through such participants. Ownership of beneficial interests in the shares of Mandatory Convertible Preferred Stock in global form will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a global certificate representing the Mandatory Convertible Preferred Stock, DTC or such nominee, as the case may be, will be considered the sole holder of the Mandatory Convertible Preferred Stock represented by such global certificate for all purposes under the Certificate of Designation. No beneficial owner of an interest in the shares of Mandatory Convertible Preferred Stock in global form will be able to transfer that interest except in accordance with the applicable procedures of DTC in addition to those provided for under the Certificate of Designation.

Payments of dividends on the global certificate representing the shares of Mandatory Convertible Preferred Stock will be made to DTC or its nominee, as the case may be, as the registered holder thereof. None of Frontier Communication Corporation, the transfer agent, registrar, conversion or dividend disbursing agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global certificate representing the shares of Mandatory Convertible Preferred Stock or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of dividends in respect of a global certificate representing the shares of Mandatory Convertible Preferred Stock, will credit participants accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global certificate representing the shares of Mandatory Convertible Preferred Stock as shown on the records of DTC or its nominee, as the case may be. We also expect that payments by participants to owners of beneficial interests in such global certificate representing the shares of Mandatory Convertible Preferred Stock held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

We understand that DTC is:

- limited purpose trust company organized under the laws of the State of New York;
- a banking organization within the meaning of New York Banking Law;
- a member of the Federal Reserve System;
- a clearing corporation within the meaning of the Uniform Commercial Code; and
- a Clearing Agency registered pursuant to the provisions of Section 17A of the Exchange Act.

**Table of Contents**

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include:

securities brokers and dealers;  
banks and trust companies; and  
clearing corporations and certain other organizations.

Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

Although DTC is expected to follow the foregoing procedures in order to facilitate transfers of interests in a global security among its participants, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Frontier Communications Corporation, the transfer agent, registrar, conversion or dividend disbursing agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depository for the shares of Mandatory Convertible Preferred Stock in global form or DTC ceases to be registered as a clearing agency under the Exchange Act, and in either case, a successor depository is not appointed by us within 90 days, we will issue certificated shares in exchange for the global securities. Holders of an interest in the shares of Mandatory Convertible Preferred Stock in global form may receive certificated shares, at our option, in accordance with the rules and procedures of DTC in addition to those provided for under the certificate of designation. Beneficial interests in the shares of Mandatory Convertible Preferred Stock in global form held by any direct or indirect participant may also be exchanged for certificated shares upon request to DTC by such direct participant (for itself or on behalf of an indirect participant), to the transfer agent in accordance with their respective customary procedures.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

**Table of Contents**

## **Concurrent offering**

Concurrently with this offering, we are offering \$750,000,000 of our common stock, par value \$0.25 per share (or \$825,000,000 if the underwriters exercise in full their option to purchase additional shares of our common stock). Based on the last reported sale price of our common stock on the NASDAQ on June 1, 2015 of \$5.08 per share, 147,637,795 shares of common stock would be issued in the concurrent offering (162,401,574 shares if the underwriters exercise in full their option to purchase additional shares of our common stock).

We intend to use the proceeds of the concurrent offering of our common stock, together with the proceeds of this offering to finance a portion of the cash consideration payable in connection with the Verizon Transaction and to pay related fees and expenses. The closing of this offering and the concurrent offering are not conditioned on each other or on the closing of the Verizon Transaction which, if completed, will occur subsequent to the closing of this offering. While we expect to use the net proceeds from the concurrent offering of our common stock in connection with the Verizon Transaction, there is no guarantee that the Verizon Transaction will be consummated, and if it is not consummated, we may use the proceeds of the concurrent offering for other purposes.

Our common stock will rank junior to the Mandatory Convertible Preferred Stock offered hereby with respect to the payment of dividends and amounts payable in the event of our liquidation, dissolution or winding up. No dividends may be declared or paid on our common stock unless full cumulative dividends have been paid or set aside for payment on all outstanding Mandatory Convertible Preferred Stock for all accrued dividend periods. Likewise, in the event of our bankruptcy, liquidation, dissolution or winding up, no distribution of our assets may be made to holders of our common stock until we have paid to holders of the Mandatory Convertible Preferred Stock a liquidation preference equal to \$100.00 per share plus accrued and unpaid dividends.

**Table of Contents**

## **Description of the Verizon Transaction**

On February 5, 2015, we entered into a Securities Purchase Agreement with Verizon to acquire, among other things, Verizon's wireline business and statewide fiber networks that provide services to residential, commercial and wholesale customers in California, Texas and Florida, along with certain of Verizon's FiOS customers in those states for a purchase price of \$10.54 billion in cash and assumed debt, subject to certain adjustments specified in the Verizon Purchase Agreement. The consummation of the Verizon Transaction is subject to the satisfaction of certain conditions, including review or approval by various federal and state regulatory agencies and other closing conditions. We expect the Verizon Transaction to close in the first half of 2016. There can be no assurance that we will be able to consummate the Verizon Transaction on a timely basis or at all.

### **The Verizon Purchase Agreement**

The following summary of the Verizon Purchase Agreement is not complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Verizon Purchase Agreement (including the definitions of terms used therein). You should read the Verizon Purchase Agreement for provisions that may be important to you. A copy of the Verizon Purchase Agreement was filed as Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on February 5, 2015, which is incorporated by reference herein. See [Where you can find more information](#) in this prospectus supplement.

Pursuant to the Verizon Purchase Agreement, we have agreed to acquire all of the issued and outstanding limited liability company interests of Newco, which will hold the outstanding limited liability company interests and capital stock of Verizon Florida LLC, GTE Southwest Incorporated and Verizon California Inc. Prior to the closing under the Verizon Purchase Agreement, (i) Verizon will transfer to the Verizon Transferred Companies certain assets and cause the Verizon Transferred Companies to assume certain liabilities relating to the business to be acquired and (ii) the Verizon Transferred Companies will transfer to Verizon certain assets, and Verizon will assume certain liabilities of the Verizon Transferred Companies, to be retained by Verizon following the closing. We refer you to the separate financial statements of the VSTO incorporated herein by reference.

Consummation of the transactions contemplated by the Verizon Purchase Agreement is subject to the satisfaction of certain conditions, including (i) receipt of the necessary approvals required to be obtained from the Federal Communications Commission, the California Public Utility Commission and the Public Utility Commission of Texas and (ii) receipt of such other approvals required to be obtained from certain other state and local regulatory bodies, except for those approvals the failure of which to be obtained would not reasonably be expected to be materially adverse in relation to the VSTO. The Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Act on May 8, 2015.

Our obligation to consummate the transactions contemplated by the Verizon Purchase Agreement is also subject to, among other things, (i) the completion of an extraction of customer data for the VSTO that meets certain requirements, (ii) Verizon's delivery of certain financial statements and unqualified auditor reports related thereto required to be delivered pursuant to the Verizon Purchase Agreement prior to the closing and (iii) the absence of a Seller Material Adverse Effect (as defined in the Verizon Purchase Agreement) after the date of the Verizon Purchase Agreement. In addition, we are not obligated to proceed with the closing under the Verizon Purchase Agreement until the third business day following the Marketing Period Termination Date (as defined in the Verizon Purchase Agreement).

The parties to the Verizon Purchase Agreement have made to each other certain representations and warranties, and have agreed to certain covenants and agreements, including with respect to cooperation,

## **Table of Contents**

regulatory approvals, the financial statements for the VSTO, our financing of the transaction (including a covenant that we do not reduce the commitments under the 8/10 Year Bridge Facility or 18 Month Bridge Facility with the proceeds of the financing transactions described in clauses (x) through (z) of the first paragraph of Financing of the Verizon Transaction below unless the amount of the remaining commitments plus the net cash proceeds of such financing transactions that are placed into escrow exceeds a threshold requirement set forth in the Verizon Purchase Agreement), the conduct and operation of the Verizon Transferred Companies prior to the closing and similar matters. In addition, the Verizon Purchase Agreement contemplates that Verizon and the Company will enter into certain ancillary agreements in connection with the transaction.

Subject to certain limitations, Verizon has agreed to indemnify for certain losses, as more fully described in the Verizon Purchase Agreement.

The Verizon Purchase Agreement may be terminated in certain circumstances, including, among others, if the transaction does not close by April 5, 2016 (subject to extension to August 5, 2016 in certain circumstances). Additionally, either party may terminate the Verizon Purchase Agreement upon a breach by the other party of any representation, warranty, covenant or agreement made by such breaching party in the Verizon Purchase Agreement, such that the conditions related to the representations, warranties, covenants and agreements made by such breaching party would not be satisfied and such breach or condition is not curable or, if curable, is not cured within the earlier of 60 days after written notice or the termination date of the Verizon Purchase Agreement.

## **Financing of the Verizon Transaction**

On February 5, 2015, in connection with the execution of the Verizon Purchase Agreement, we entered into the Commitment Letter, dated February 5, 2015, with the Commitment Parties, pursuant to which the Commitment Parties have committed to provide two bridge loan facilities, initially for a total amount of \$11.594 billion, which amount was subsequently reduced by us to \$10.850 billion, for the purposes of funding (i) the cash consideration for the Verizon Transaction and (ii) the fees and expenses incurred in connection with the transactions contemplated by the Verizon Purchase Agreement. The 8/10 Year Bridge Facility was initially in the amount of \$8.594 billion, which amount was automatically reduced in accordance with its terms by \$744 million in connection with the effectiveness of certain amendments entered into on March 5, 2015 to our two outstanding credit agreements with CoBank, ACB and certain other lenders. The 18 Month Bridge Facility is in the amount of \$3.0 billion. The commitments in respect of the 8/10 Year Bridge Facility and the 18 Month Bridge Facility will be automatically reduced, subject to certain exceptions and limitations, on a dollar-for-dollar basis by (x) the gross cash proceeds of any issuance of senior unsecured notes by Frontier (with such amounts being applied first to reduce the 8/10 Year Bridge Facility), (y) the net cash proceeds of the incurrence by Frontier of certain indebtedness for borrowed money (with such amounts being applied first to reduce the 8/10 Year Bridge Facility) and (z) the net cash proceeds from any issuance of equity by Frontier, including the proceeds from the concurrent offering and the sale of the securities in this offering (with such amounts being applied first to reduce the 18 Month Bridge Facility). The financing commitments of the Commitment Parties are currently undrawn and are subject to various conditions set forth in the Commitment Letter.

We intend to use the proceeds of this offering along with the proceeds of the concurrent offering to finance a portion of the cash consideration payable in connection with the Verizon Transaction and to pay related fees and expenses. The proceeds of this offering together with the proceeds of the concurrent offering will reduce the commitments under the 18 Month Bridge Facility. The balance of the financing in connection with the Verizon Transaction could take any of several forms or any combination of them, including but not limited to the following: (i) we may issue senior notes in the public and/or private capital markets; (ii) we may enter into

**Table of Contents**

one or more senior secured first lien term loan facilities; (iii) we may use cash on hand; and (iv) we may draw funds under the 18 Month Bridge Facility and the 8/10 Year Bridge Facility.

**The VSTO**

As of March 31, 2015, the VSTO had approximately 3.6 million voice, 2.2 million broadband and 1.2 million video connections. The Verizon Transaction will add approximately 11,000 employees to our Company.

The Verizon assets complement our existing platform and position us well strategically. We believe that these assets offer attractive demographics because the operations we are acquiring from Verizon are in the three most populated states in the United States (California, Florida, and Texas) and they also have economic growth that is above the U.S. average. The network assets are high quality, with high fiber penetration approximately 54% of the footprint is FiOS-enabled allowing us to offer customers market-leading broadband speeds and very high-quality video products. The acquisition of the Verizon properties is aligned with our strategic focus on broadband as it will increase our broadband base by 2.2 million customers. We also anticipate potential for incremental growth with business customers, which we will pursue with carrier Ethernet products we have made available to business and other carrier customers within our existing footprint. We also anticipate there will be an opportunity to sell Frontier Secure, our security/technical support/identity protection suite, into customers within these new regions.

S-71

---

**Table of Contents****Unaudited pro forma condensed combined financial information**

The unaudited pro forma condensed combined balance sheet information as of March 31, 2015 is based upon (i) the historical consolidated financial information of Frontier and (ii) the historical combined financial information of the VSTO, and has been prepared to reflect the Verizon Transaction based on the acquisition method of accounting. The unaudited pro forma condensed combined statement of operations information for the three months ended March 31, 2015 is based upon (i) the historical consolidated financial information of Frontier and (ii) the historical combined financial information of the VSTO, and has been prepared to reflect the Verizon Transaction based on the acquisition method of accounting. The unaudited pro forma condensed combined statement of operations information for the year ended December 31, 2014 includes the results of the Connecticut Operations for the period of January 1, 2014 through October 24, 2014. The unaudited pro forma condensed combined statement of operations information for the year ended December 31, 2014 is based upon (i) the historical consolidated financial information of Frontier, (ii) the historical combined financial information of the VSTO and (iii) the historical combined financial information of the Connecticut Operations for the period of January 1, 2014 through October 24, 2014, and has been prepared to reflect the Verizon Transaction and the Connecticut Operations based on the acquisition method of accounting. The unaudited pro forma condensed combined financial information presents the combination of the historical financial statements of Frontier and the historical financial statements of the VSTO, adjusted to give effect to (1) the transfer of specified assets and liabilities from Verizon to the VSTO that are not included in the VSTO historical balance sheet as of March 31, 2015, and the retention of specified assets and liabilities by Verizon that are included in the VSTO historical balance sheet as of March 31, 2015, as more fully described in note 3(a) below, (2) this offering, the concurrent offering and bridge financing to fund the cash payment to Verizon for the purchase price, as more fully described in note 3(b) below, (3) the payment by Frontier to Verizon of \$10.54 billion in cash and assumed debt (excluding any potential working capital purchase price adjustment as set forth in the Verizon Purchase Agreement) as more fully described in note 3(c) below and (4) the consummation of the transactions contemplated by the Verizon Purchase Agreement, with Frontier considered the accounting acquirer, based on the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information. The historical financial information has been adjusted to give effect to events that are directly attributable to the Verizon Transaction and factually supportable and, in the case of the statement of operations information, that are expected to have a continuing impact.

On October 24, 2014, we acquired the wireline properties of AT&T in Connecticut by acquiring all of the issued and outstanding capital stock of Transferred AT&T Companies for a purchase price of \$2.0 billion in cash, excluding adjustments for working capital, pursuant to the AT&T Purchase Agreement. Prior to the closing of the Connecticut Acquisition, (i) AT&T transferred to the Transferred AT&T Companies certain assets and caused the Transferred AT&T Companies to assume certain liabilities relating to the business to be acquired and (ii) the Transferred AT&T Companies transferred to AT&T certain assets, and AT&T assumed certain liabilities of the Transferred AT&T Companies, to be retained by AT&T following the closing. The Company financed the Connecticut Acquisition using the net proceeds of an offering of \$1.55 billion aggregate principal amount of senior unsecured notes, borrowings of \$350 million under a term loan credit agreement and cash on hand.

The unaudited pro forma condensed combined balance sheet information has been prepared as of March 31, 2015, and gives effect to the Verizon Transaction and other events described above as if they had occurred on that date. The unaudited pro forma condensed combined statement of operations information, which has been prepared for the three months ended March 31, 2015 and the year ended December 31, 2014, gives effect to the Verizon Transaction and other events described above as if they had occurred on January 1, 2014. The summary unaudited pro forma condensed combined statement of operations information for the year ended December 31, 2014 gives effect to the Connecticut Acquisition as if it had occurred on January 1, 2014.

**Table of Contents**

The unaudited pro forma condensed combined financial information was prepared using, and should be read in conjunction with, (1) the audited combined financial statements of the VSTO for the year ended December 31, 2014, (2) the unaudited interim condensed combined financial statements of the VSTO as of and for the three months ended March 31, 2015, (3) the unaudited interim condensed combined financial statements of the Connecticut Operations for the nine months ended September 30, 2014, (4) the audited consolidated financial statements of Frontier for the year ended December 31, 2014, and (5) the unaudited interim condensed consolidated financial statements of Frontier as of and for the three months ended March 31, 2015.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the Verizon Transaction and other events described above been completed at the dates indicated above. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future results of operations of Frontier after completion of the Verizon Transaction and the other events described above. In the opinion of Frontier's management, all adjustments considered necessary for a fair presentation have been included.

The unaudited pro forma condensed combined financial information does not give effect to any potential cost savings or other operating efficiencies that could result from the Verizon Transaction, or from the Connecticut Acquisition for the period of January 1, 2014 through October 24, 2014. In addition, the fair value of the assets acquired and liabilities assumed are based upon estimates. The final purchase price allocation is dependent upon valuations and other studies that have not yet been completed. Accordingly, the purchase price allocation pro forma adjustments are preliminary and are subject to further adjustments as additional information becomes available and additional analyses are performed, and each further adjustment may be material. Such adjustments have been made solely for the purpose of providing unaudited pro forma condensed combined financial information.



**Table of Contents****FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET INFORMATION**

AS OF MARCH 31, 2015

(\$ in millions)	Frontier	VSTO	VSTO		Equity offering and incurrence of bridge financing (3b)	Pro forma adjustments (3c)	Pro forma combined
			Additional transfer of assets and liabilities to/from Verizon (3a)	VSTO, as adjusted			
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 509	\$	\$	\$	\$ 10,580	\$ (9,946) <sup>(i)</sup>	\$ 1,143
Accounts receivable, net	526	768	(299)	469			995
Other current assets	373	248	(19)	229	(143)	(161) <sup>(ii)</sup>	298
Total current assets	1,408	1,016	(318)	698	10,437	(10,107)	2,436
Property, plant and equipment, net	8,478	8,237	(112)	8,125			16,603
Goodwill	7,213					223 <sup>(iii)</sup>	7,436
Other intangibles, net	1,408	7	(7)			2,410 <sup>(iv)</sup>	3,818
Other assets	214	2,856	(2,808)	48			262
Total assets	\$ 18,721	\$ 12,116	\$ (3,245)	\$ 8,871	\$ 10,437	\$ (7,474)	\$ 30,555
<b>LIABILITIES AND EQUITY:</b>							
Long-term debt due within one year	\$ 193	\$ 11	\$ (11)		\$	\$	\$ 193
Accounts payable and other current liabilities	1,247	1,485	(968)	517	(201)	27 <sup>(v)</sup>	1,590
Total current liabilities	1,440	1,496	(979)	517	(201)	27	1,783
Deferred income taxes	2,930	2,468	(375)	2,093		(2,093) <sup>(vi)</sup>	2,930
Other liabilities	1,380	2,322	(2,036)	286			1,666
Long-term debt	9,464	642	(48)	594	8,350		18,408
Equity	3,507	5,188	193	5,381	2,288	(5,408) <sup>(vii)</sup>	5,768
Total liabilities and equity	\$ 18,721	\$ 12,116	\$ (3,245)	\$ 8,871	\$ 10,437	\$ (7,474)	\$ 30,555

See notes to unaudited pro forma condensed combined financial information.

**Table of Contents****FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS INFORMATION****FOR THE THREE MONTHS ENDED MARCH 31, 2015**

(\$ in millions, except per share amounts)	Frontier	VSTO	Pro forma adjustments	Pro forma combined
Revenue	\$ 1,371	\$ 1,448	\$ (4) <sup>(4a)</sup>	\$ 2,796
Cost and expenses (exclusive of depreciation and amortization)	810	1,046	(19) <sup>(4b)</sup> (1) <sup>(4a)</sup> (19) <sup>(4b)</sup> (11) <sup>(4c)</sup> (5) <sup>(4f)</sup>	1,820
Depreciation and amortization	341	250	99 <sup>(4d)</sup> (1) <sup>(4e)</sup>	689
Acquisition and integration costs	57		(57) <sup>(4g)</sup>	
Total operating expenses	1,208	1,296	5	2,509
Operating income	163	152	(28)	287
Investment and other income, net	1			1
Interest expense	245	8	196 <sup>(4h)</sup>	449
Income tax expense (benefit)	(30)	56	(85) <sup>(4i)</sup>	(59)
Net income (loss)	\$ (51)	\$ 88	\$ (139)	\$ (102)
Basic and diluted net income (loss) per common share	\$ (0.05)			\$ (0.13) <sup>(4j)</sup>
Weighted-average shares outstanding (in millions)	995			1,140 <sup>(4j)</sup>

*See notes to unaudited pro forma condensed combined financial information.*

Table of Contents

## FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS INFORMATION

## FOR THE YEAR ENDED DECEMBER 31, 2014

(\$ in millions, except per share amounts)	Connecticut Operations			VSTO			
	Frontier	Connecticut Operations <sup>(1)</sup>	Connecticut pro forma adjustments	Pro forma combined frontier and Connecticut Operations	VSTO	VSTO Pro forma adjustments	Pro forma combined
Revenue	\$ 4,772	\$ 1,094	\$ (3) <sup>(5a)</sup>	\$ 5,775	\$ 5,791	\$ (19) <sup>(4a)</sup>	\$ 11,479
			(38) <sup>(5b)</sup>			(68) <sup>(4b)</sup>	
			(46) <sup>(5c)</sup>				
			(4) <sup>(5d)</sup>				
Cost and expenses (exclusive of depreciation and amortization)	2,671	846	(7) <sup>(5c)</sup>	3,456	4,775	(4) <sup>(4a)</sup>	7,496
			(4) <sup>(5d)</sup>			(68) <sup>(4b)</sup>	
			(12) <sup>(5e)</sup>			(635) <sup>(4c)</sup>	
			10 <sup>(5f)</sup>			(28) <sup>(4f)</sup>	
			(15) <sup>(5g)</sup>				
			(33) <sup>(5h)</sup>				
Depreciation and amortization	1,139	119	12 <sup>(5e)</sup>	1,334	1,026	438 <sup>(4d)</sup>	2,795
			64 <sup>(5i)</sup>			(3) <sup>(4e)</sup>	
Acquisition and integration costs	142		(142) <sup>(5k)</sup>				
Total operating expenses	3,952	965	(127)	4,790	5,801	(300)	10,291
Operating income	820	129	36	985	(10)	213	1,188
Investment and other income, net	39	2		41			41
Interest expense	695	(3)	71 <sup>(5j)</sup>	763	43	708 <sup>(4h)</sup>	1,514
Income tax expense (benefit)	31	54	(13) <sup>(5l)</sup>	72	(21)	(188) <sup>(4i)</sup>	(137)
Net income (loss)	\$ 133	\$ 80	\$ (22)	\$ 191	\$ (32)	\$ (307)	\$ (148)
Basic and diluted net income (loss) per common share	\$ 0.13			\$ 0.19			\$ (0.30) <sup>(4i)</sup>
Weighted-average shares outstanding (in millions)	994			994			1,140 <sup>(4i)</sup>

(1) Includes the results of the Connecticut Operations for the period of January 1, 2014 through October 24, 2014.

*See notes to unaudited pro forma condensed combined financial information.*

---

Table of Contents

## Notes to unaudited pro forma condensed combined financial information

### 1. Description of the Verizon Transaction

On February 5, 2015, Frontier entered into an agreement with Verizon to acquire Verizon's wireline operations that provide services to residential, commercial and wholesale customers in California, Florida and Texas for a purchase price of \$10.54 billion in cash and assumed debt, excluding adjustments for working capital. As of the date of the announcement, these Verizon properties included 3.7 million voice connections, 2.2 million broadband connections, and 1.2 million FiOS® video connections. The network being acquired is the product of substantial capital investments made by Verizon, with an estimated 54% of the residential households being enabled with FiOS®. Subject to regulatory approvals, the Verizon Transaction is expected to close in the first half of 2016.

On October 24, 2014, pursuant to the AT&T Purchase Agreement, the Company acquired the wireline properties of AT&T in Connecticut for a purchase price of \$2.0 billion in cash, excluding adjustments for working capital. Following the Connecticut Acquisition, Frontier now owns and operates the wireline business and fiber optic network servicing residential, commercial and wholesale customers in Connecticut. The Company also acquired the AT&T U-verse® video and DISH® satellite TV customers in Connecticut.

The unaudited pro forma condensed combined financial information was prepared for the purpose of developing the pro forma financial statements necessary to comply with the applicable disclosure and reporting requirements of the SEC. For purposes of the unaudited pro forma condensed combined financial information, the estimated aggregate transaction costs (other than debt incurrence fees in connection with the bridge financing, as set forth in note 3(b)), which are charged as an expense of Frontier as they are incurred, are expected to be approximately \$27 million and include estimated costs associated primarily with investment banker advisory fees, legal fees, and regulatory and auditor services of Frontier. This balance is reflected as an accrual in the Pro Forma Adjustments column on the unaudited pro forma condensed combined balance sheet as of March 31, 2015. The combined company will also incur integration costs primarily related to information systems, network and process conversions (including hardware and software costs). Integration costs will be incurred in part in advance of the consummation of the Verizon Transaction, and are recorded based on the nature and timing of the specific action. For purposes of the unaudited pro forma condensed combined financial information, it was assumed that no amounts would be paid, payable or forgone by Verizon pursuant to orders or settlements issued or entered into in order to obtain governmental approvals from the Federal Communications Commission and in the States of California, Florida and Texas that will be required to complete the Verizon Transaction.

Frontier is considered the accounting acquirer for purposes of the preparation of the unaudited pro forma condensed combined financial information. This conclusion is based upon Frontier's consideration of all relevant factors included in the accounting standard regarding business combinations, including the purchase of a newly formed legal entity to which Verizon will contribute Verizon California Inc., Verizon Florida LLC and GTE Southwest Inc. (doing business as Verizon Southwest) pursuant to the Verizon Purchase Agreement.

**Table of Contents****2. Basis of purchase price allocation**

The estimated purchase price (\$10.54 billion less \$594 million in assumed debt) has been allocated to the tangible and intangible assets acquired and liabilities assumed on a preliminary basis as follows (dollars in millions):

Estimated transaction consideration:	\$ 9,946
Current assets	\$ 537
Property, plant & equipment	8,125
Goodwill	223
Other intangibles Customer list	2,410
Other assets	48
Current liabilities	(517)
Long-term debt	(594)
Other liabilities	(286)
 Total net assets acquired	 \$ 9,946

The allocation of the purchase price to assets and liabilities is preliminary. The final allocation of the purchase price will be based on the fair values of the assets acquired and liabilities assumed as of the date of the Verizon Transaction, as determined by third-party valuation for certain assets and liabilities. The valuation will be completed after the consummation of the Verizon Transaction. There can be no assurance that the actual allocation will not differ significantly from the preliminary allocation.

Frontier and Verizon have agreed to make a joint election under Section 338(h)(10) of the Internal Revenue Code, and comparable state and local tax code provisions.

**3. Pro forma balance sheet adjustments:**

- (a) VSTO is adjusted to (1) exclude assets and liabilities that will be retained by Verizon that are included in VSTO's financial statements and (2) give effect to certain assets and liabilities relating to the business to be contributed by Verizon to these entities in connection with the Verizon Transaction. A brief description of these items follows (dollars in millions):

Balance	Amount	Reason
Accounts receivable, net	\$ (298)	Reclassification of affiliate balances to net presentation
		(1) Receivables related to businesses retained by Verizon
	\$ (299)	
Other current assets	\$ (19)	Other current assets related to businesses retained by Verizon
Property, plant and equipment, net	\$ (119)	Property, plant and equipment related to businesses retained by Verizon
		7 Capital lease related assets to be transferred to VSTO by Verizon
	\$ (112)	
Other intangibles, net	\$ (7)	Removal of non-network software to be retained by Verizon

Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 424B2

Other assets	\$ (1,748)	Prepaid pension asset in excess of actuarial liability retained by Verizon
	(1,033)	Reclassification of prepaid pension asset to offset the employee benefit obligation
	(27)	Other assets related to businesses retained by Verizon
	\$ (2,808)	

S-78

**Table of Contents**

<b>Balance</b>	<b>Amount</b>	<b>Reason</b>
Long-term debt due within one year	\$ (11)	Current debt related to businesses retained by Verizon
Accounts payable and other current liabilities	\$ (512)	Payables related to businesses retained by Verizon
	(298)	Reclassification of affiliate balances to net presentation
	(221)	Intercompany payables retained by Verizon
	74	To establish liabilities for workers' compensation claims
	(11)	Accrued liabilities to be retained by Verizon
	\$ (968)	
Deferred income taxes	\$ (375)	Reflects the impact of the pro forma adjustments on deferred income taxes
Other liabilities	\$ (1,033)	Reclassification of prepaid pension asset to offset the employee benefit obligation
	(935)	Pension and postemployment benefits retained by Verizon
	(36)	Accrued liabilities to be retained by Verizon
	(29)	Liabilities related to businesses retained by Verizon
	(7)	Removal of accrued uncertain tax position liabilities and credits retained by Verizon
	4	Capital lease related liabilities to be transferred to VSTO by Verizon
	\$ (2,036)	
Long-term debt	\$ (48)	Long-term debt related to businesses retained by Verizon
Equity	\$ 193	Reflects the aggregate impact of the above noted entries

The pension and other postretirement employee benefits adjustments are based on amounts recorded by Verizon whereby the pension and OPEB obligations related to active employees only will be transferred to Frontier and pension obligations will be fully funded as of the closing date of the Verizon Transaction. An actuarial evaluation will be completed subsequent to the completion of the Verizon Transaction and may be different from that reflected in the unaudited pro forma condensed combined financial information. This difference may be material.

- (b) Frontier has received a commitment for bridge financing from J.P. Morgan, Bank of America Merrill Lynch, Citibank and certain other parties to fund the cash consideration for the Verizon Transaction and to pay related fees and expenses. The Verizon Transaction is not subject to a financing condition. The pro forma adjustment to cash reflects an equity offering of approximately \$2,500 million, less fees incurred of \$69 million, as well as bridge financing of \$8,350 million. As previously announced, the Company currently intends to complete a debt offering of approximately \$8,350 million, prior to closing the Verizon Transaction, which would replace the need to utilize the bridge financing. The Company intends to use proceeds from the debt offering, together with the proceeds from the equity offering, to finance the Verizon Transaction and to pay related fees and expenses. At this time, however, no assurance can be given that these offerings will be successfully completed, on terms deemed acceptable by the Company.

The pro forma adjustment to cash reflects the proceeds of the equity offering and bridge financing, excluding the related fees.

The adjustment presented reflects the equity and debt incurrence of \$10,850 in the aggregate, less assumed equity and debt incurrence fees and commissions of approximately \$270 million (of which

---

**Table of Contents**

\$58 million has been incurred). Additionally, an adjustment was made for \$143 million to reflect the acceleration of deferred financing costs related to the bridge financing.

- (c) (i) This adjustment reflects the purchase price of \$10,540 million less assumed debt of \$594 million resulting in \$9,946 million of cash that will be paid at closing of the Verizon Transaction (excluding any potential working capital purchase price adjustment as set forth in the Verizon Purchase Agreement).
- (ii) This adjustment in the amount of \$161 million eliminates the deferred tax assets of VSTO as of March 31, 2015.
- (iii) This adjustment in the amount of \$223 million reflects the goodwill associated with the excess of the Verizon Transaction consideration issued over the preliminary estimated fair value of the underlying identifiable net tangible and intangible assets at March 31, 2015.
- (iv) This adjustment in the amount of \$2,410 million reflects the preliminary fair value of the identifiable intangible asset (customer list) which was estimated by Frontier's management primarily based on the fair values assigned to similar assets in recently completed acquisitions (a market approach). A third party valuation firm will be utilized to help determine the final fair value after the Verizon Transaction is completed, but this determination has not yet begun. There can be no assurance that the actual fair value determination will not differ significantly from the preliminary fair value determination. For purposes of the preliminary fair value determination, the estimated useful life of the customer list asset was assumed to be ten years.
- (v) This adjustment in the amount of \$27 million records the estimated unpaid non-recurring costs for acquisition related transaction costs, primarily bankers, lawyers and consulting advisory fees.
- (vi) This adjustment in the amount of \$2,093 million eliminates the deferred tax liabilities of VSTO as of March 31, 2015.
- (vii) This adjustment in the amount of \$5,408 million eliminates the as adjusted net equity of VSTO (\$5,381 million) and recognizes unpaid estimated transaction costs of \$27 million as of March 31, 2015.

**4. Pro forma statement of operations adjustments VSTO:**

- (a) This adjustment reflects results of operations related to certain operations, assets and facilities that will not be transferred to Frontier in the Verizon Transaction.
- (b) This adjustment reflects the reclassification of bad debt expense from cost and expenses to revenue in order to conform to Frontier's accounting policy.
- (c) This adjustment reflects pension, other postretirement employee benefits of retirees and postemployment benefits retained by Verizon based on the terms of the Verizon Purchase Agreement whereby the pension and OPEB obligations related to active employees only will be transferred to Frontier and pension obligations will be fully funded as of the closing date of the Verizon Transaction. The adjustment includes \$11 million and \$64 million for pension and OPEB costs related to active employees and retirees to be retained by Verizon for the three months ended March 31, 2015 and the year ended December 31, 2014, respectively. This adjustment also reflects the reversal of \$571 million in actuarial losses that were recorded by Verizon in order to conform to Frontier's accounting policy for pension and other postretirement benefits for the year ended December 31, 2014.
- (d) This adjustment reflects amortization expense associated with the customer list asset estimated in note 3(c) above assuming an accelerated method of amortization and an estimated useful life of ten years,



**Table of Contents**

which corresponds to an increase in depreciation and amortization of \$99 million and \$438 million for the three months ended March 31, 2015 and the year ended December 31, 2014, respectively. Amortization expense, based on our current estimate of useful lives, is estimated to be approximately \$394 million, \$351 million, \$307 million, \$263 million and \$219 million for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively. No adjustment has been reflected for depreciation expense based on the assumption that the straight line method is similar to the composite method.

The actual depreciation and amortization expense will be based on the final fair value attributed to the identifiable tangible and intangible assets based upon the results of the third-party valuation of the acquired assets. The depreciation and amortization rates may also change based on the results of this third-party valuation. There can be no assurance that the actual depreciation and amortization expense will not differ significantly from the pro forma adjustment presented.

- (e) This adjustment primarily reflects depreciation expense for facilities that will not be transferred to Frontier in the Verizon Transaction.
- (f) This adjustment reflects the removal of losses on disposition of assets that were recorded by Verizon in cost and expenses in order to conform to Frontier's accounting policy for fixed asset dispositions under the composite method of depreciation.
- (g) This adjustment reflects the removal of acquisition and integration expenses related to costs incurred by Frontier in connection with the Verizon Transaction and the Connecticut Acquisition.
- (h) This adjustment reflects additional interest expense on the \$8,350 million bridge financing, based on an assumed weighted average interest rate determined based on appropriate current market rates as of March 31, 2015 of 12.17% and 8.65% for the three months ended March 31, 2015 and the year ended December 31, 2014, respectively, the elimination of interest expense related to a bridge loan facility, and the elimination of affiliate interest expense. As previously announced, it is our intention to raise debt financing, which would replace the bridge financing, however, at present, in conformity with the SEC rules, the unaudited pro forma condensed combined financial statements only reflect the bridge financing. An increase or decrease to the interest rate of 25 basis points would result in a change of approximately \$5 million and \$20 million for the three months ended March 31, 2015 and the year ended December 31, 2014, respectively.
- (i) This adjustment reflects the income tax effect of the pro forma adjustments described in notes 4(a) through 4(h) above, using an estimated effective income tax rate of 38%.
- (j) In calculating basic and diluted net income (loss) per common share for the three months ended March 31, 2015 and the year ended December 31, 2014, net income (loss) was reduced by expected dividends on mandatory convertible preferred shares as a result of the offering of mandatory convertible preferred shares. Basic weighted average shares outstanding were 995 million and 994 million as of March 31, 2015 and December 31, 2014, respectively. Pro forma weighted average shares outstanding of 1,140 million for the three months ended March 31, 2015 and the year ended December 31, 2014 included an estimated 146 million common shares as a result of the common stock offering, based on the last reported sale price of our common stock on the NASDAQ on May 29, 2015 of \$5.15 per share. In calculating pro forma diluted net loss per common share for the three months ended March 31, 2015 and the year ended December 31, 2014, the effect of the mandatory convertible preferred shares as a result of the offering of mandatory convertible preferred shares was excluded from the computation as the effect would be antidilutive.

---

**Table of Contents**

**5. Pro forma statement of operations adjustments Connecticut Operations:**

- (a) This adjustment reflects results of operations related to contracts, primarily with unaffiliated third parties that were not transferred to Frontier in the Connecticut Acquisition.
- (b) This adjustment reflects the incremental change related to contracts with AT&T affiliates that were transferred to Frontier under modified terms.
- (c) This adjustment reflects results of operations related to certain operations (substantially with AT&T affiliates) that did not continue after the closing of the Connecticut Acquisition.
- (d) This adjustment reflects the reclassification of bad debt expense from cost and expenses to revenue.
- (e) This adjustment reflects the reclassification of allocated depreciation and amortization from cost and expenses to depreciation and amortization.
- (f) This adjustment reflects pension, other postretirement employee benefits of retirees and postemployment benefits retained by AT&T based on the terms of the AT&T Purchase Agreement whereby the pension and OPEB obligations related to active employees only were transferred to Frontier and pension obligations were fully funded as of the October 24, 2014 closing date of the Connecticut Acquisition.
- (g) This adjustment reflects the removal of costs related to employee headcount that were not transferred to Frontier associated with the adjustment described in 5(c) above.
- (h) This adjustment reflects the removal of royalty expense charged by AT&T for the use of its name and trademark that did not continue after the Connecticut Acquisition.
- (i) This adjustment reflects additional amortization expense associated with the customer list asset acquired from AT&T assuming an accelerated method of amortization and an estimated useful life of ten years, which corresponds to an increase in depreciation and amortization expense of \$64 million for the year ended December 31, 2014. Amortization expense, based on our current estimate of useful lives, is estimated to be approximately \$76 million, \$67 million, \$57 million, \$48 million and \$38 million for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively. No adjustment has been reflected for depreciation expense. The actual depreciation and amortization expense will be based on the final fair value attributed to the identifiable tangible and intangible assets based upon the results of the third-party valuation of the acquired assets. The depreciation and amortization rates may also change based on the results of this third-party valuation. There can be no assurance that the actual depreciation and amortization expense will not differ significantly from the pro forma adjustment presented.
- (j) This adjustment reflects additional interest expense on the \$1,550 million aggregate principal amount of senior notes related to the debt offering in September 2014 and the \$350 million CoBank Connecticut Acquisition Facility (\$71 million for the year ended December 31, 2014), based on an assumed weighted average interest rate of 6.68% for the year ended December 31, 2014 and the elimination of interest expense related to a bridge loan agreement.

Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 424B2

- (k) This adjustment reflects the removal of acquisition and integration expenses related to costs incurred by Frontier in connection with the Connecticut Acquisition.
  
- (l) This adjustment reflects the income tax effect of the pro forma adjustments described in notes 5(a) through 5(k) above, using an estimated effective income tax rate of 38%.

S-82

---

**Table of Contents**

## **U.S. federal income tax considerations**

The following is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our Mandatory Convertible Preferred Stock and common stock into which such Mandatory Convertible Common Stock may be converted by U.S. Holders (as defined below) and Non-U.S. Holders (as defined below) that acquire our Mandatory Convertible Preferred Stock in this offering at the initial offering price.

This summary is based upon existing U.S. federal income tax laws, which are subject to differing interpretations and may be changed, perhaps retroactively, so as to result in U.S. federal income tax considerations different from those summarized below. We cannot assure prospective investors that a change in law, possibly with retroactive application, will not alter significantly the tax considerations that we describe in this summary.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to holders in light of their particular circumstances, and does not deal with taxes other than the federal income tax (such as estate and gift tax or Medicare contribution tax) or with foreign, state, local or other tax considerations. Special rules, not discussed here, may apply to certain holders, including: a U.S. expatriate, a financial institution, an insurance company, a tax-exempt entity, a trader, broker or dealer in securities or currencies, traders that elect to mark-to-market their securities, a controlled foreign corporation, a passive foreign investment company, corporations that accumulate earnings to avoid U.S. federal income tax, a U.S. Holder who holds Mandatory Convertible Preferred Stock or common stock through a non-U.S. broker or other non-U.S. intermediary an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes (or an investor in such a pass-through entity), a person subject to the alternative minimum tax, a person who acquired shares of our Mandatory Convertible Preferred Stock or common stock as compensation or otherwise in connection with the performance of services, or a person who has acquired shares of our Mandatory Convertible Preferred Stock or common stock as part of a straddle, hedge, conversion transaction or other integrated investment). Such holders should consult their tax advisors to determine the U.S. federal, state, local and non-U.S. tax considerations that may be relevant to them. This summary applies only to holders who hold our Mandatory Convertible Preferred Stock or common stock as a capital asset.

For purposes of this summary, a U.S. Holder means a beneficial owner of our Mandatory Convertible Preferred Stock or common stock that is for U.S. federal income tax purposes any of the following:

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

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

For the purposes of this summary, a Non-U.S. Holder means a beneficial owner of our Mandatory Convertible Preferred Stock or common stock that is, for U.S. federal income tax purposes, a person (other than a partnership) that is not a U.S. Holder.

In the case of an entity that is classified as a partnership for U.S. federal income tax purposes that holds our Mandatory Convertible Preferred Stock or common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership and partners in such a partnership are urged to consult their tax advisors about the U.S. federal income tax considerations relating to the purchase, ownership, or disposition of our Mandatory Convertible Preferred Stock or common stock.



## **Table of Contents**

Each prospective investor is urged to consult its tax advisors concerning the particular U.S. federal, state, local, and foreign income tax considerations and other tax considerations of the ownership and disposition of our Mandatory Convertible Preferred Stock or common stock.

### **Taxation of U.S. holders**

#### ***Distributions***

Distributions of cash or property that we pay in respect of our Mandatory Convertible Preferred Stock or common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and will be includible in gross income by a U.S. Holder upon receipt. Any such dividend will be eligible for the dividends received deduction if received by an otherwise qualifying corporate U.S. Holder that meets the holding period and other requirements for the dividends received deduction. Dividends paid to non-corporate U.S. Holders (including individuals) are eligible for U.S. federal income taxation at the rates generally applicable to long-term capital gains for non-corporate U.S. Holders (at a maximum tax rate of 20%), provided that the U.S. Holder receiving the dividend satisfies the applicable holding period and other requirements. To the extent any distribution exceeds our current and accumulated earnings and profits, such excess first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in our Mandatory Convertible Preferred Stock or common stock (determined separately for each share) which will not be subject to tax, and thereafter will be treated as capital gain (and thus treated in the manner described in "Disposition" below).

#### ***Share distributions***

We may make distributions to holders of our Mandatory Convertible Preferred Stock that are paid in our common stock. While not free from doubt, these distributions will be treated for U.S. federal income tax purposes as if the holder received a distribution of cash in an amount equal to the fair market value of the distributed common stock on the date of the distribution and thus would generally be subject to the rules applicable to cash distributions (as discussed in "Distributions" above). Accordingly, a U.S. Holder may have a tax liability on account of such distributions in excess of the cash (if any) that is received. A U.S. Holder's initial tax basis in any common stock received as a distribution on the Mandatory Convertible Preferred Stock will generally equal the fair market value of the common stock on the date of the distribution, and the holding period for that common stock will begin on the day after the distribution.

#### ***Adjustments to the conversion rate***

The conversion rate of the Mandatory Convertible Preferred Stock will be adjusted in certain circumstances. Adjustments (or failure to make adjustments) that have the effect of increasing a U.S. Holder's proportionate interest in our assets or earnings and profits may, in some circumstances, result in a deemed distribution to the U.S. Holder. Adjustments to the conversion rate made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interest of the U.S. Holder of the Mandatory Convertible Preferred Stock, however, will generally not be considered to result in a deemed distribution to the U.S. Holder. Certain of the possible conversion rate adjustments provided in the terms of the Mandatory Convertible Preferred Stock (including adjustments in respect of taxable dividends paid to holders of common stock) may not qualify as being pursuant to a bona fide reasonable adjustment formula. If adjustments that have the effect of increasing a U.S. Holder's proportionate interest in our assets or earnings and profits and that do not qualify as being pursuant to a bona fide reasonable adjustment formula are made, U.S. Holders of Mandatory Convertible Preferred Stock may generally be deemed to have received a distribution even though they have not received any cash or property. Any such deemed distribution will generally be taxable to a U.S. Holder in the same manner as an actual distribution as described above under "Distributions."

## **Table of Contents**

### ***Extraordinary dividends***

Dividends that exceed certain thresholds in relation to a U.S. Holder's tax basis in the Mandatory Convertible Preferred Stock or our common stock could be characterized as an extraordinary dividend under the Code. If a corporate U.S. Holder receives an extraordinary dividend on stock it has held for two years or less before the dividend announcement date, such corporate U.S. Holder will generally be required to reduce its tax basis in the Mandatory Convertible Preferred Stock or common stock, as applicable, with respect to which such dividend was made by the nontaxed portion of such dividend. If the amount of the reduction exceeds the corporate U.S. Holder's tax basis in such stock, the excess is treated as taxable gain.

A non-corporate U.S. Holder will be required to treat any losses on the sale of Mandatory Convertible Preferred Stock or our common stock as long-term capital losses to the extent that any extraordinary dividends received by such non-corporate U.S. Holder would otherwise qualify as a dividend.

### ***Conversion into common stock***

Except as provided below (regarding amounts paid in respect of the present value of future dividends), a U.S. Holder will generally not recognize gain or loss upon the conversion of the Mandatory Convertible Preferred Stock into shares of common stock, except that (1) a U.S. Holder's receipt of cash (if any) in respect of dividends in arrears or possibly accrued and unpaid dividends will be taxable as described under Distributions above, (2) a U.S. Holder's receipt of common stock (if any) in respect of dividends in arrears or possibly accrued but unpaid dividends will be taxable as described under Distributions above as if the U.S. Holder had received cash in respect of such dividends in arrears or possibly accrued but unpaid dividends equal to the fair market value of such common stock on the date of conversion and (3) a U.S. Holder's receipt of cash in lieu of a fractional share of our common stock will result in capital gain or loss (measured by the difference between the cash received in lieu of the fractional share of our common stock and the holder's adjusted tax basis in the fractional share of our common stock).

Except as discussed in the next sentence, a U.S. Holder's initial tax basis in shares of common stock received upon conversion of the Mandatory Convertible Preferred Stock (and any fractional shares of our common stock treated as received and then exchanged for cash) will equal the basis of the converted shares of Mandatory Convertible Preferred Stock and the holding period of such shares of common stock will include the holding period of the converted shares of Mandatory Convertible Preferred Stock. Common stock received in payment of dividends in arrears or possibly accrued but unpaid dividends and taxed as a dividend upon receipt, if any, will have a basis equal to their fair market value on the date of conversion, and a new holding period will commence on the day after the conversion.

Upon certain conversions of our Mandatory Convertible Preferred Stock, we may, in respect of any such conversion, pay a holder common stock and/or cash in respect of the present value of future dividends (as described under Description of Mandatory Convertible Preferred Stock Conversion Rights Early Conversion at the Option of the Holder Upon a Fundamental Change). The tax considerations of such payment of cash or common stock are uncertain. Although not free from doubt, we believe that the better view is to treat any such cash or shares of our common stock as additional consideration received in the conversion. If this treatment is correct, then (i) to the extent a U.S. Holder realizes gain in the conversion, such gain should be taxable to the extent of any cash received by such U.S. Holder, (ii) any such taxable gain would generally be taxable as a dividend to the extent of our accumulated earnings and profits attributable thereto (provided that the conversion does not result in a meaningful reduction in such U.S. Holder's equity interest in us, in which case any such taxable gain would be treated as capital gain), (iii) a U.S. Holder's basis in the shares of common stock received upon conversion (including the shares of our common stock received in respect of future dividends, but excluding the shares of our common stock in respect of dividends in arrears and possibly accrued and unpaid dividends) should equal its basis in the Mandatory Convertible Preferred Stock being converted,

## **Table of Contents**

increased by any gain recognized by such U.S. Holder and reduced by any cash received in respect of any future dividends and any basis allocable to any fractional shares of our common stock and (iv) a U.S. Holder's holding period in any common stock received upon conversion (including the shares of our common stock received in respect of future dividends, but excluding the shares of our common stock in respect of accrued and unpaid dividends) should include the holding period of the Mandatory Convertible Preferred Stock being converted. For this purpose, a U.S. Holder should realize gain on the conversion equal to the excess, if any, of the sum of the cash and the fair market value of shares of our common stock received (including the shares of our common stock received in respect of future dividends, but excluding the shares of our common stock in respect of accrued and unpaid dividends) over such a U.S. Holder's adjusted tax basis in our Mandatory Convertible Preferred Stock immediately prior to conversion. A U.S. Holder will not be permitted to recognize any loss realized upon its conversion of our Mandatory Convertible Preferred Stock into our common stock.

U.S. Holders should be aware that the tax treatment described in the preceding paragraph is not certain and may be challenged by the IRS, including on grounds that the amount received attributable to a portion of the then current dividend period or to future dividends represents a taxable dividend to the extent we have current or accumulated earnings and profits at the time of conversion, as described above under

Distributions. U.S. Holders should consult their tax advisors to determine the specific tax treatment of such additional shares in their particular circumstances.

### ***Disposition***

Upon a sale, exchange or other taxable disposition of our Mandatory Convertible Preferred Stock (other than pursuant to a conversion into common stock) or common stock, a U.S. Holder will generally recognize capital gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition and the U.S. Holder's adjusted tax basis in our Mandatory Convertible Preferred Stock or common stock. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held our Mandatory Convertible Preferred Stock or common stock for more than one year at the time of disposition. A U.S. Holder's tax basis and holding period in respect of common stock received in the conversion of the Mandatory Convertible Preferred Stock is discussed above under Conversion into Common Stock. Long-term capital gains of non-corporate U.S. Holders (including individuals) are generally subject to U.S. federal income taxation at a maximum rate of 20%. The deductibility of capital losses is subject to significant limitations under the Code.

## **Taxation of non-U.S. holders**

### ***Distributions***

Distributions of cash or property that we pay in respect of our Mandatory Convertible Preferred Stock or common stock (including any constructive distributions resulting from certain adjustments (or failures to make adjustments) to the number of shares of common stock to be issued on conversion (as described under Share Distributions and Adjustments to Conversion Rate below) will generally constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Dividends paid to Non-U.S. Holders will generally be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. To the extent any distribution exceeds our current and accumulated earnings and profits, such excess first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in our Mandatory Convertible Preferred Stock or common stock (determined separately for each share) which will not be subject to tax, and thereafter will be treated as capital gain (and thus treated in the manner described in Disposition below).



## **Table of Contents**

In order to claim the benefit of an applicable income tax treaty for dividends, a Non-U.S. Holder must satisfy applicable certification and other requirements prior to the distribution date, such as providing the withholding agent with a properly completed Internal Revenue Service Form W-8BEN or W-8BEN-E (or other applicable form). Non-U.S. Holders eligible for a reduced rate of or an exemption from U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the Internal Revenue Service.

To the extent dividends paid are effectively connected with a Non-U.S. Holder's conduct of a trade or business within the United States, such effectively connected dividends will not be subject to withholding tax provided that certain certification and disclosure requirements are satisfied. Instead, such dividends will be subject to U.S. federal income tax on a net basis at regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a United States person under the Code unless an applicable income tax treaty provides otherwise. In addition, if a Non-U.S. Holder is a corporate Non-U.S. Holder, earnings and profits attributable to such dividends that are effectively connected with such holder's conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

### ***Share distributions and adjustments to conversion rate***

We may make distributions to holders of our Mandatory Convertible Preferred Stock that are paid in common stock. In general, while not free from doubt, distributions paid in common stock will be treated for U.S. federal income tax purposes as if the holder received a distribution of cash in an amount equal to the fair market value of the distributed common stock on the date of the distribution and thus would generally be subject to the rules applicable to cash distributions (as discussed in *Distributions* above). Similarly, as discussed above under the headings,

*Taxation of U.S. Holders* *Adjustments to the Conversion Rate*, adjustments to the conversion rate (or failure to make certain adjustments) can result in deemed distributions to holders of our Mandatory Convertible Preferred Stock which would be treated as discussed in *Distributions* above. Because distributions paid in common stock and deemed distributions would not give rise to any cash from which any applicable withholding tax could be satisfied, an applicable withholding agent will generally withhold the U.S. federal tax on any such dividend from any cash, common stock, or sales proceeds otherwise payable to a Non-U.S. Holder (or other assets of the Non-U.S. Holder held by such withholding agent).

### ***Conversion into common stock***

Except as provided in the next paragraph, a Non-U.S. Holder will not recognize gain or loss in respect of the receipt of common stock upon the conversion of the Mandatory Convertible Preferred Stock, except that (1) any cash or common stock received that is attributable to accrued and unpaid dividends, if any, will be treated in the manner described above under *Distributions*, (2) any common stock received in respect of dividends in arrears and possibly accrued and unpaid dividends, if any, should be treated in the manner described above under *Distributions* and

*Share Distributions and Adjustments to Conversion Rate* as if the Non-U.S. Holder had received cash in respect of such dividends equal to the fair market value of such common stock on the date of conversion and (3) the receipt of cash in lieu of a fractional share of our common stock will generally result in gain or loss (measured by the difference between the cash received in lieu of the fractional share of our common stock and the Non-U.S. Holder's adjusted tax basis in the fractional share of our common stock) and be treated as described below under *Disposition*.

Upon certain conversions of our Mandatory Convertible Preferred Stock, we may, in respect of any such conversion, pay a holder common stock and/or cash in respect of the present value of future dividends (as described under *Description of Mandatory Convertible Preferred Stock* *Conversion Rights* *Early Conversion*

---

**Table of Contents**

at the Option of the Holder Upon a Fundamental Change ). As described above under the heading Taxation of U.S. Holders Conversion into Common Stock, the tax considerations of such payment of cash or common stock are uncertain. Although not free from doubt, we believe that the better view is to treat any such cash or shares of our common stock as additional consideration received in the conversion. Nevertheless, an applicable withholding agent may disagree and may treat any such payment as a dividend that is subject to U.S. federal withholding tax at a 30% rate as described above under Distributions unless (1) the Non-U.S. Holder qualifies for an exception or a reduction of this rate under an applicable income tax treaty or (2) such dividend is effectively connected income and an appropriate certification is provided. If any such cash is treated as additional consideration, gain, if any, may be recognized to the extent of any cash received (but would only be taxable as discussed below under Dispositions ).

***Disposition***

Subject to the discussion below on backup withholding and FATCA withholding, a Non-U.S. Holder will generally not be subject to U.S. federal income tax with respect to gain realized on the sale or other taxable disposition of our Mandatory Convertible Preferred Stock, unless:

the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale or other taxable disposition, and certain other conditions are met;

the gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business within the United States, and, under an applicable treaty, the gain is attributable to a permanent establishment that such Non-U.S. Holder maintains in the United States; or

we are or have been during a specified testing period a United States real property holding corporation or USRPHC for U.S. federal income tax purposes.

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We believe that we have not been and are not, and we do not anticipate becoming, a USRPHC for U.S. federal income tax purposes. If we are or were to become a USRPHC, so long as our Mandatory Convertible Preferred Stock or common stock, as applicable, is regularly traded on an established securities market (such as the NASDAQ Global Select Market), only a Non-U.S. Holder who, actually or constructively, holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period) more than 5% of our Mandatory Convertible Preferred Stock or common stock will be subject to U.S. federal income tax on the disposition of our Mandatory Convertible Preferred Stock or common stock. Non-U.S. Holders should consult their tax advisors concerning the tax considerations that could result if we are, or were to become, a USRPHC.

To the extent that gain recognized is effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business and, if required by an income tax treaty, the gain is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States, such gain will be subject to U.S. federal income tax on a net basis at regular graduated rates in the same manner as if such Non-U.S. Holder were a United States person as described under the Code. In addition, if a Non-U.S. Holder is a corporate Non-U.S. Holder, earnings and profits attributable to such gain that are effectively connected with such holder's conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified in an applicable income tax treaty.

To the extent any gain recognized by a Non-U.S. Holder described in the first bullet above, such gain (net of certain U.S. source losses) will be subject to U.S. federal income tax at a rate of 30% (or lower applicable income tax treaty rate).

## **Table of Contents**

### ***Foreign account tax compliance act***

Withholding at a rate of 30% will generally be required in certain circumstances on dividends in respect of, and, after December 31, 2016, gross proceeds from the sale or other disposition of, the Mandatory Convertible Preferred Stock or common stock held by or through certain financial institutions (including investment funds), unless such institution (i) enters into, and complies with, an agreement with the Internal Revenue Service to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments or (ii) if required under an intergovernmental agreement between the U.S. and an applicable foreign country, reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Accordingly, the entity through which the Mandatory Convertible Preferred Stock or common stock is held will affect the determination of whether such withholding is required. Similarly, dividends, in respect of, and, after December 31, 2006, gross proceeds from the sale or other disposition of, the Mandatory Convertible Preferred Stock or common stock held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity's substantial United States owners, which we will in turn provide to the U.S. Department of Treasury. Prospective investors should consult their tax advisors regarding the possible implications of the legislation on their investment in the Mandatory Convertible Preferred Stock or common stock.

### ***Information reporting and backup withholding***

We must report annually to the Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to such Non-U.S. Holder and the amount of tax, if any, withheld with respect to such dividends. The Internal Revenue Service may make the information returns reporting such dividends and withholding available to the tax authorities in the country in which a Non-U.S. Holder is resident.

In addition, a Non-U.S. Holder may be subject to additional information reporting requirements and backup withholding (currently at a rate of 28%) with respect to dividends paid on, shares of our common stock, unless, generally, such Non-U.S. Holder certifies under penalties of perjury (usually on Internal Revenue Service Form W-8BEN or W-8BEN-E) that it is a Non-U.S. Holder or it otherwise establishes an exemption. Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition by a Non-U.S. Holder of shares of our Mandatory Convertible Preferred Stock or common stock within the United States or conducted through certain U.S.-related financial intermediaries unless such Non-U.S. Holder certifies under penalty of perjury that it is not a United States person as described under the Code or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

Table of Contents**Underwriting**

We are offering the Mandatory Convertible Preferred Stock described in this prospectus supplement through a number of underwriters. J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. are acting as joint book-running managers of this offering and as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement, the number of shares of the Mandatory Convertible Preferred Stock listed next to its name in the following table:

<b>Name</b>	<b>Number of shares of mandatory convertible preferred stock</b>
J.P. Morgan Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
Barclays Capital Inc.	
Credit Suisse Securities (USA) LLC	
Morgan Stanley & Co. LLC	
Mizuho Securities USA Inc.	
Deutsche Bank Securities Inc.	
Goldman, Sachs & Co.	
UBS Securities LLC	
<b>Total</b>	<b>17,500,000</b>

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of Mandatory Convertible Preferred Stock sold under the underwriting agreement if any of these shares of Mandatory Convertible Preferred Stock are purchased. The underwriters will sell the shares of Mandatory Convertible Preferred Stock to the public when and if the underwriters buy the shares of Mandatory Convertible Preferred Stock from us.

The underwriters have advised us that they initially propose to offer the shares of Mandatory Convertible Preferred Stock directly to the public for cash at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that public offering price less a concession not in excess of \$ \_\_\_\_\_ per share of Mandatory Convertible Preferred Stock. After the initial public offering of the Mandatory Convertible Preferred Stock, the offering price and other selling terms may be changed by the underwriters. The underwriters may offer and sell the shares of Mandatory Preferred Convertible Stock through certain of their affiliates.

The underwriters have an overallotment option to buy up to 1,750,000 additional shares of Mandatory Convertible Preferred Stock from us at the public offering price listed on the cover page of this prospectus supplement, less underwriting discounts and commissions and less an amount per share of Mandatory Convertible Preferred Stock equal to any dividends that are paid or payable by us on the shares of Mandatory Convertible Preferred Stock reflected in the preceding table but that are not payable on the shares of Mandatory Convertible Preferred Stock purchased on exercise of this overallotment option. The underwriters have 30 days from the date of this prospectus supplement to exercise this overallotment option. If any

**Table of Contents**

additional shares of Mandatory Convertible Preferred Stock are purchased with this overallotment option, the underwriters will purchase such additional shares of Mandatory Convertible Preferred Stock in approximately the same proportion as shown in the table above. If any additional shares of Mandatory Convertible Preferred Stock are purchased, the underwriters will offer the additional shares of Mandatory Convertible Preferred Stock on the same terms as those on which the shares of Mandatory Convertible Preferred Stock are being offered.

The underwriting fee is equal to the public offering price per share of Mandatory Convertible Preferred Stock less the amount paid by the underwriters to us per share of Mandatory Convertible Preferred Stock. The underwriting fee is % of the total amount of the offering. The following table shows the Mandatory Convertible Preferred Stock per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters overallotment option to purchase additional shares of Mandatory Convertible Preferred Stock.

	<b>Without option exercise</b>	<b>With full option exercise</b>
Per share	\$	\$
Total	\$	\$

We estimate that the total expenses of this offering and the concurrent offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately \$ .

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares of Mandatory Convertible Preferred Stock to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed with the underwriters that we will not, for a period of 90 days after the date of this prospectus supplement (the Restricted Period ), (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, without the prior written consent of J.P. Morgan Securities LLC, other than:

the shares of Mandatory Convertible Preferred Stock to be sold in this offering, any shares of our common stock issuable upon conversion of such Mandatory Convertible Preferred Stock and shares of our common stock issued in the concurrent offering;

options, units and other equity awards, and any shares of common stock issued upon the exercise of such options or conversion of units or other equity awards, granted under our stock-based compensation plans;

the entrance into an agreement providing for the issuance of, and the issuance thereunder, of common stock (or securities convertible into or exchangeable for common stock) issued in connection with (i) the bona fide strategic acquisition of securities, assets, property, a technology or a business, (ii) pursuant to an employee benefit program assumed by us in connection with such acquisition or (iii) the establishment of a commercial

**Table of Contents**

relationship, strategic partnership or collaboration (including a joint venture); provided, that the recipient(s) of such common stock or any securities convertible into or exchangeable for common stock shall have executed and delivered to the representatives a lock-up agreement substantially in the form delivered by our directors and officers in connection with this offering and provided that the aggregate number of shares of common stock that we may sell or issue or agree to sell or issue shall not exceed 10% of the total number of shares of common stock issued and outstanding immediately following the completion of this offering and the concurrent offering;

any registration statement on Form S-8 under the Securities Act; and

subject to certain parameters, the establishment of a trading plan pursuant to Rule 10b5-1 under the Securities Exchange Act for the transfer of common stock.

In addition, our directors and executive officers have agreed with the underwriters that they will not, during the Restricted Period, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or publicly disclose the intention to make any offer, sale, pledge or disposition, (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise or (iii) make any demand for or exercise any right with respect to the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock, in each case without the prior written consent of J.P. Morgan Securities LLC, other than:

transfers of shares of common stock (or any securities convertible into or exercisable or exchangeable for common stock) as a bona fide gift or gifts (including a charitable organization);

distributions of shares of common stock (or any securities convertible into or exercisable or exchangeable for common stock) to an immediate family member (as defined in Rule 16a-1 under the Securities Exchange Act) of such director or officer or to any trust or like entity for the direct or indirect benefit of such director or officer or the immediate family member of such director or officer;

transfers of shares of common stock (or any securities convertible into or exercisable or exchangeable for common stock) to such director or officer's affiliates, limited partners, members or stockholders or to any investment fund or other entity controlled or managed by, or any corporation, partnership, limited liability company or other entity all of the beneficial ownership interests of which are held by, such director or officer and/or by members of such director or officer's immediate family member;

transfers of shares of common stock (or any securities convertible into or exercisable or exchangeable for common stock) by will or intestacy or if the transfer occurs by operation of law, such as rules of descent and distribution, or pursuant to an order of the court or regulatory agency, such as a qualified domestic order or in connection with a divorce settlement; provided, that to the extent a filing under Form 4 pursuant to the Securities Exchange Act is required such filing shall specify the purpose of such common stock transfer;

transfers of shares of common stock (or any securities convertible into or exercisable or exchangeable for common stock) to us (or the purchase and cancellation of same by us) upon a vesting event of our securities or upon the exercise of options or vesting of any other equity awards issued pursuant to our stock-based compensation plans, in each case on a cashless or net exercise basis, or the withholding, surrender or disposition of any shares of common stock in order to pay the exercise price and/or taxes in connection with the vesting of any such option or other equity award;

subject to certain parameters, the establishment or modification of any trading plan that complies with Rule 10b5-1 under the Securities Exchange Act for the transfer of shares of common stock;



## Table of Contents

transfers of shares of common stock (or any securities convertible into or exercisable or exchangeable for common stock) that were acquired in open market transactions following the completion of this offering; and

the transfer, sale or other disposal of shares of common stock (or any securities convertible into or exercisable or exchangeable for common stock) to a bona fide third party pursuant to a tender offer for our securities or any merger, consolidation or other business combination involving certain change of control transactions involving the Company occurring after the closing date of this offering; provided that the shares of common stock not so transferred, sold or disposed remain subject to the lock-up.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the Securities Act ).

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of Mandatory Convertible Preferred Stock in the open market for the purpose of preventing or retarding a decline in the market price of the shares of Mandatory Convertible Preferred Stock while this offering is in progress. These stabilizing transactions may include making short sales of the shares of Mandatory Convertible Preferred Stock, which involves the sale by the underwriters of a greater number of shares of Mandatory Convertible Preferred Stock than they are required to purchase in this offering, and purchasing shares of Mandatory Convertible Preferred Stock on the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters' overallotment option to purchase additional shares of the Mandatory Convertible Preferred Stock referred to above, or may be naked shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their overallotment option to purchase additional shares of the Mandatory Convertible Preferred Stock, in whole or in part, or by purchasing shares of Mandatory Convertible Preferred Stock in the open market. In making this determination, the underwriters will consider, among other things, the price of shares of Mandatory Convertible Preferred Stock available for purchase in the open market compared to the price at which the underwriters may purchase shares of Mandatory Convertible Preferred Stock through the overallotment option to purchase additional shares of the Mandatory Convertible Preferred Stock. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of Mandatory Convertible Preferred Stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares of Mandatory Convertible Preferred Stock in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the Mandatory Convertible Preferred Stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase shares of Mandatory Convertible Preferred Stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares of Mandatory Convertible Preferred Stock as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the Mandatory Convertible Preferred Stock or preventing or retarding a decline in the market price of the Mandatory Convertible Preferred Stock, and, as a result, the price of the Mandatory Convertible Preferred Stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NASDAQ, in the over-the-counter market or otherwise.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, financing and brokerage activities.



## **Table of Contents**

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other financial and non-financial services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. Certain of the underwriters for this offering are also acting as underwriters for the concurrent offering and have acted as underwriters for our existing senior notes. Also, certain of the underwriters and/or their affiliates are holders, lenders and/or agents under certain of our debt facilities, including the \$750 million revolving credit facility that we may draw upon in connection with the Verizon Transaction. In addition, certain of the underwriters and/or their affiliates have agreed to provide us with the 18 month Bridge Facility and 8/10 Year Bridge Facility.

In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Selling restrictions**

### ***General***

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement, the accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

## **Notice to prospective investors in the European Economic Area**

In relation to each Member State of the European Economic Area (each, a Relevant Member State ), no offer of the Mandatory Convertible Preferred Stock may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

## **Table of Contents**

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Mandatory Convertible Preferred Stock shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any Mandatory Convertible Preferred Stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares of Mandatory Convertible Preferred Stock being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares of Mandatory Convertible Preferred Stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Mandatory Convertible Preferred Stock to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus supplement has been prepared on the basis that any offer of Mandatory Convertible Preferred Stock in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Mandatory Convertible Preferred Stock. Accordingly any person making or intending to make an offer in that Relevant Member State of Mandatory Convertible Preferred Stock which is the subject of the offering contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of Mandatory Convertible Preferred Stock in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression an offer to the public in relation to any Mandatory Convertible Preferred Stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Mandatory Convertible Preferred Stock to be offered so as to enable an investor to decide to purchase or subscribe the Mandatory Convertible Preferred Stock, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

## **Notice to prospective investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order ) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons ).

---

## **Table of Contents**

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

### **Notice to prospective investors in Hong Kong**

The Mandatory Convertible Preferred Stock has not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Mandatory Convertible Preferred Stock has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Mandatory Convertible Preferred Stock which is or is intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Notice to prospective investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Mandatory Convertible Preferred Stock may not be circulated or distributed, nor may the Mandatory Convertible Preferred Stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of Mandatory Convertible Preferred Stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired shares of Mandatory Convertible Preferred Stock pursuant to an offer made under Section 275 of the SFA except:
  - (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (b) where no consideration is or will be given for the transfer;

---

**Table of Contents**

- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ( DFSA ). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The Mandatorily Convertible Preferred Stock to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Mandatorily Convertible Preferred Stock offered should conduct their own due diligence on the Mandatorily Convertible Preferred Stock. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

**Notice to Prospective Investors in Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ( ASIC ), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the Corporations Act ), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the Mandatorily Convertible Preferred Stock may only be made to persons (the Exempt Investors ) who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the Mandatorily Convertible Preferred Stock without disclosure to investors under Chapter 6D of the Corporations Act.

The Mandatorily Convertible Preferred Stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act.

Further, any common stock issued on conversion of the Mandatorily Convertible Preferred Stock must not be offered for sale in Australia in the period of 12 months after the date of issue of those shares of common stock except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring Mandatorily Convertible Preferred Stock or common stock must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

**Table of Contents**

## **Legal matters**

The validity of the securities offered hereby will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. The underwriters are represented by Cahill Gordon & Reindel LLP, New York, New York, in connection with this offering.

## **Experts**

The consolidated financial statements of Frontier Communications Corporation as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2014, have been incorporated by reference herein and in the accompanying prospectus in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein and in the accompanying prospectus, and upon the authority of said firm as experts in accounting and auditing.

The combined financial statements of the AT&T Connecticut Wireline Operations (A Business Unit of AT&T Inc.) as of December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, incorporated by reference in this prospectus supplement and the accompanying prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon, and are incorporated by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The combined financial statements of Verizon's Separate Telephone Operations in California, Florida and Texas as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, incorporated by reference in this prospectus supplement and the accompanying prospectus have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, and are incorporated by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

## **Where you can find more information**

This prospectus supplement is part of a registration statement on Form S-3 filed with the SEC using a shelf registration process under the Securities Act, relating to the securities to be offered in this offering. This prospectus supplement does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the securities offered hereby, reference is hereby made to the registration statement. The registration statement, including the exhibits thereto, may be inspected at the Public Reference Room maintained by the SEC at the address set forth below. Statements contained herein concerning any document filed as an exhibit are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the registration statement. Each such statement is qualified in its entirety by such reference.

We file annual, quarterly and current reports and other information with the SEC. You may read and copy reports and other information that we file with the SEC at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms. The SEC also maintains an Internet site at <http://www.sec.gov> from which you can access our filings. The information contained on the SEC's website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and should not be considered to be part of the prospectus supplement or accompanying prospectus except as described in this section or in the Incorporation of certain documents by reference section.

**Table of Contents**

## **Incorporation of certain documents by reference**

The SEC allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. This prospectus supplement, the accompanying prospectus and the information that we file later with the SEC may update and supersede the information we incorporate by reference. We incorporate by reference the following documents listed below and any future filings (other than current reports or portions thereof furnished under Item 2.02 or Item 7.01 of Form 8-K) made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act, until the underwriters sell all of the securities offered hereby:

our Annual Report on Form 10-K for the year ended December 31, 2014;

our Quarterly Report on Form 10-Q for the three months ended March 31, 2015;

our Current Reports on Form 8-K filed on September 3, 2014 (excluding Exhibits 99.2 and 99.3 thereto), January 7, 2015, February 5, 2015, February 19, 2015, February 26, 2015, March 3, 2015, March 5, 2015, March 10, 2015, March 27, 2015, March 31, 2015, April 8, 2015, May 4, 2015, May 5, 2015, May 13, 2015 and June 2, 2015; and

the description of our common stock as contained in our Registration Statement on Form 8-A, dated December 14, 2011, under the caption Description of Registrant's Securities to be Registered, including any further amendment or report filed for the purpose of updating such description.

The pro forma financial statements contained in Exhibit 99.2 to our Current Report on Form 8-K filed on January 7, 2015, Exhibit 99.1 to our Current Report on Form 8-K filed on March 31, 2015 and Exhibits 99.2 and 99.3 to our Current Report on Form 8-K filed on May 4, 2015 are superseded in their entirety by the pro forma financial statements contained in Exhibit 99.4 to our Current Report on Form 8-K filed on June 2, 2015.

Upon your oral or written request, we will provide you with a copy of any of these filings at no cost. Requests should be directed to Frontier Communications Corporation, 3 High Ridge Park, Stamford, Connecticut 06905, Telephone No. (203) 614-5600.

**Table of Contents**

Prospectus

# Frontier Communications Corporation

*Common stock*

*Preferred stock*

*Debt securities*

*Purchase contracts*

*Purchase units*

We may offer and sell from time to time our securities in one or more classes or series and in amounts, at prices and on terms that we will determine at the times of the offerings. We may from time to time offer to sell together or separately in one or more offerings:

- common stock;
- preferred stock;
- debt securities;
- purchase contracts; and
- purchase units.

We will provide specific terms of any securities to be offered in supplements to this prospectus. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest.

We may offer and sell these securities to or through one or more underwriters, dealers or agents or directly to purchasers, on a continuous or delayed basis. These securities may also be resold by selling security holders. The prospectus supplement for each offering will describe in detail the plan of distribution for that offering and will set forth the names of any underwriters, dealers or agents involved in the offering and any applicable fees, commissions or discount arrangements.

Our common stock is listed on the NASDAQ Global Select Market under the trading symbol FTR. Any prospectus supplement will indicate whether the securities offered thereby will be listed on any securities exchange.

Our principal executive offices are located at 3 High Ridge Park, Stamford, Connecticut 06905. Our telephone number is (203) 614-5600.

**Investing in our securities involves risks. Please refer to the Risk Factors section on page 4 and the supplemental risk factors contained in any applicable prospectus supplement and in the documents we incorporate by reference for a description of the risks you should consider when evaluating such investment.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is April 20, 2015

**Table of Contents**

**Table of contents**

	<b>Page</b>
<u>About this prospectus</u>	1
<u>Cautionary statement regarding forward-looking statements</u>	2
<u>Our company</u>	4
<u>Risk factors</u>	4
<u>Use of proceeds</u>	4
<u>Ratio of earnings to fixed charges</u>	5
<u>Description of securities</u>	5
<u>Description of capital stock</u>	5
<u>Description of debt securities</u>	7
<u>Description of purchase contracts and purchase units</u>	7
<u>Selling securityholders</u>	8
<u>Plan of distribution</u>	8
<u>Validity of securities</u>	8
<u>Experts</u>	9
<u>Where you can find more information</u>	9
<u>Incorporation by reference</u>	9



**Table of Contents**

## **About this prospectus**

This prospectus is part of an automatic shelf registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC, as a well-known seasoned issuer, as defined in Rule 405 under the Securities Act of 1933, as amended, or the Securities Act. By using a shelf registration statement, we may sell, at any time and from time to time, in one or more offerings, any combination of the securities described in this prospectus or any accompanying prospectus supplement. As allowed by SEC rules, this prospectus does not contain all of the information included in the registration statement, including its exhibits. For further information, we refer you to the registration statement, including its exhibits, the documents incorporated by reference therein and herein as well as any accompanying prospectus supplements or any free writing prospectuses prepared by or on behalf of us or to which we have referred you. Statements contained in this prospectus and any accompanying prospectus supplement or in any applicable free writing prospectus about the provisions or contents of any agreement or other document are not necessarily complete. If the SEC's rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

You should read this prospectus, any accompanying prospectus supplement and any applicable free writing prospectus together with any additional information you may need to make your investment decision. You should also read and carefully consider the information in the documents we have referred you to in *Where You Can Find More Information*. Information incorporated by reference after the date of this prospectus is considered a part of this prospectus and may add, update or change information contained in this prospectus. The information in this prospectus, any accompanying prospectus supplement, any applicable free writing prospectus or any document incorporated herein or therein by reference is accurate as of the date contained on the cover of such documents. None of the delivery of this prospectus, any accompanying prospectus supplement or any applicable free writing prospectus or any sale made under this prospectus, any accompanying prospectus supplement or any applicable free writing prospectus will, under any circumstances, imply that the information in this prospectus, any accompanying prospectus supplement or any applicable free writing prospectus is correct as of any date after the date of this prospectus or any such accompanying prospectus supplement or applicable free writing prospectus. Any information in such subsequent filings that is inconsistent with this prospectus will supersede the information in this prospectus. You should rely only on the information incorporated by reference or provided in this prospectus, any accompanying prospectus supplement or any applicable free writing prospectuses prepared by or on behalf of us or to which we have referred you. We have not authorized anyone else to provide you with any other information.

Unless otherwise expressly stated herein or the context otherwise requires, all references in this prospectus to *Frontier*, *we*, *us*, *our*, *our company* or *the company* refer to Frontier Communications Corporation, a Delaware corporation, and its direct and indirect subsidiaries.

**Table of Contents**

## **Cautionary statement regarding forward-looking statements**

Information we have included or incorporated by reference in this prospectus and any accompanying prospectus supplement contains or may contain forward-looking statements. These forward-looking statements include, among others, statements of our plans, objectives, expectations (financial or otherwise) or intentions.

Our forward-looking statements involve risks and uncertainties. Our actual results may differ significantly from those projected or suggested in any forward-looking statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Factors that might cause such a difference to occur include, but are not limited to:

risks related to our acquisitions, including our ability to complete the applicable acquisition, our ability to successfully integrate operations and our ability to realize anticipated cost savings;

our ability to meet our debt and debt service obligations;

competition from cable, wireless and other wireline carriers and the risk that we will not respond on a timely or profitable basis;

our ability to successfully adjust to changes in the communications industry, including the effects of technological changes and competition on our capital expenditures, products and service offerings;

reductions in the number of our voice customers that we cannot offset with increases in broadband subscribers and sales of other products and services;

our ability to maintain relationships with customers, employees or suppliers;

the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks;

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

the effects of changes in the availability of federal and state universal service funding or other subsidies to us and our competitors;

our ability to effectively manage service quality in our territories and meet mandated service quality metrics;

our ability to successfully introduce new product offerings;

the effects of changes in accounting policies or practices, including potential future impairment charges with respect to our intangible assets;

## Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 424B2

our ability to effectively manage our operations, operating expenses, capital expenditures, debt service requirements and cash paid for income taxes and liquidity, which may affect payment of dividends on our common shares;

the effects of changes in both general and local economic conditions on the markets that we serve;

the effects of increased medical expenses and pension and postemployment expenses;

the effects of changes in income tax rates, tax laws, regulations or rulings, or federal or state tax assessments;

our ability to successfully renegotiate union contracts;

**Table of Contents**

changes in pension plan assumptions, interest rates, regulatory rules and/or the value of our pension plan assets, which could require us to make increased contributions to the pension plan in 2015 and beyond;

adverse changes in the credit markets or in the ratings given to our debt securities by nationally accredited ratings organizations, which could limit or restrict the ability, or increase the cost, of financing to us;

the effects of state regulatory cash management practices that could limit our ability to transfer cash among our subsidiaries or dividend funds up to the parent company;

the effects of severe weather events or other natural or man-made disasters, which may increase our operating expenses or adversely impact customer revenue; and

the impact of potential information technology or data security breaches or other disruptions.

These and other relevant factors, including those risk factors identified in our Annual Report on Form 10-K and our other filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, parts of which are incorporated by reference in this prospectus, should be carefully considered when reviewing any forward-looking statement. See [Where You Can Find More Information](#).

## Table of Contents

# Our company

We are the largest communications company providing services mainly to rural areas and small and medium-sized towns and cities in the United States. Our mission is to be the leader in providing communications services to residential and business customers in our markets. We are committed to delivering innovative and reliable products and solutions with an emphasis on convenience, service and customer satisfaction. We offer a variety of voice, data and video services and products on a standalone basis and as bundled or packaged solutions. We believe that our local engagement structure, 100% U.S.-based workforce and innovative product positioning will continue to differentiate us from our competitors in the markets in which we compete.

As of December 31, 2014, we are the nation's fourth largest Incumbent Local Exchange Carrier, or ILEC, with 3.5 million customers, 2.4 million broadband subscribers and 17,400 employees. We operate as an ILEC in 28 states.

We conduct business with both residential and business customers, and we provide the last mile of communications services to customers in these markets. Our services and products include:

- data and Internet services
  - wireless broadband services
  - data transmission services (e.g., DS1, DS3, OCNX, Ethernet, dedicated Internet Protocol)
  - computer security and premium technical support (i.e., Frontier Secure)
  - residential and commercial Voice over Internet Protocol (VoIP) service
- voice services
- access services
- other services
  - FiOS® video services
  - Frontier TV powered by U-verse®
  - satellite video services
  - customer premise equipment
  - directories

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

# Risk factors

Please carefully consider the risk factors described in our periodic reports filed with the SEC, which are incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus or include in any applicable prospectus supplement. Additional risks and uncertainties not presently known to us or that we deem currently immaterial may also impair our business operations or adversely affect our results of operations or financial condition.

# Use of proceeds

Unless otherwise stated in any prospectus supplement accompanying this prospectus, we will use the net proceeds from the sale of any securities for general corporate purposes. Unless otherwise set forth in any prospectus supplement accompanying this prospectus, we will not receive any proceeds in the event that securities are sold by a selling security holder.

**Table of Contents****Ratio of earnings to fixed charges**

The following table contains our consolidated ratio of earnings to fixed charges for the periods indicated. For purposes of this ratio, earnings consist of pre-tax income from continuing operations before (income) loss from equity investees, plus fixed charges (except for interest capitalized), distributed income of equity investees and interest capitalized less income attributable to the noncontrolling interest in a partnership. Fixed charges consist of interest expensed and capitalized, plus the portion of rent expense under operating leases deemed to be representative of interest.

	Year ended December 31,			
2010	2011	2012	2013	2014
1.49	1.33	1.29	1.23	1.22

**Description of securities**

This prospectus contains summary descriptions of the common stock, preferred stock, debt securities, purchase contracts and purchase units that may be offered and sold hereunder from time to time. These summary descriptions are not meant to be complete descriptions of each security. The particular terms of any security will be described in the applicable prospectus supplement.

**Description of capital stock****General**

Under our restated certificate of incorporation, or Certificate of Incorporation, our total authorized capital stock consists of 50,000,000 shares of preferred stock, par value \$0.01 per share, or the preferred shares, and 1,750,000,000 shares of common stock, par value \$0.25 per share, or the common stock.

The following describes the material terms of our Certificate of Incorporation and by-laws, as amended, or By-laws, but it does not purport to describe all of the terms thereof. This summary is qualified in its entirety by reference to our Certificate of Incorporation and our By-laws, each of which is filed as an exhibit to the registration statement of which this prospectus is a part, and the applicable provisions of the General Corporation Law of the State of Delaware, or the DGCL. To find out where copies of our Certificate of Incorporation and By-laws can be obtained, see [Where You Can Find More Information](#).

***Common stock******Dividends***

Holders of shares of our common stock are entitled to receive dividends and other distributions in cash, stock or property of Frontier as may be declared by our board of directors, or the Board, from time to time at its sole discretion out of our assets or funds legally available for dividends or other distributions. Dividends on common stock are not cumulative. Consequently, if dividends on our common stock are not declared, stockholders are not entitled to receive such payments in the future.

***Rights upon liquidation***

In the event of our voluntary or involuntary liquidation, dissolution or winding up, holders of shares of our common stock will be entitled to share in our assets remaining after payment of all debts and other liabilities, subject to the liquidation preference of any outstanding preferred stock.

## **Table of Contents**

### *Voting rights*

Holders of common stock are entitled to one vote for each share held of record and may not cumulate votes for the election of directors.

Except as otherwise required by the DGCL and our Certificate of Incorporation and By-laws, action requiring stockholder approval may be taken by a vote of the holders of a majority of the common stock at a meeting at which a quorum is present.

### *Other rights*

Holders of common stock do not have preemptive rights. Holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

### *Listing and transfer agent*

Our common stock is listed on the NASDAQ Global Select Market under the trading symbol FTR. The transfer agent and registrar for our common stock is the Computershare Trust Company, N.A.

### ***Preferred stock***

Our Certificate of Incorporation provides that we may issue up to 50,000,000 shares of preferred stock in one or more series as may be determined by the Board.

The Board has broad discretionary authority with respect to the rights of each issued series of preferred stock and may take several actions without any vote or action of the holders of common stock, including:

determining the number of shares to be included in each series;

fixing the designation, powers, preferences and relative, participating, optional, conversion and other rights of the shares of each series and any qualifications, limitations or restrictions with respect to each series; and

increasing or decreasing the number of shares of any series.

The Board may authorize, without approval of holders of our common stock, the issuance of preferred stock with voting and conversion rights that could adversely affect the voting power and other rights of holders of common stock. For example, preferred stock may rank prior to common stock as to dividend rights, liquidation preferences or both, may have full or limited voting rights and may be convertible into shares of common stock.

Preferred stock could be issued quickly with terms designed to discourage, delay or prevent a change in the control of our company or to make the removal of our management more difficult, including a tender offer or other transaction that some, or a majority, of our common stockholders might believe to be in their best interest or in which stockholders might receive a premium for their stock over the then best current market price. This could have the effect of discouraging third-party bids for our common stock or may otherwise adversely affect the market price of our common stock.

We believe that the ability of the Board to issue one or more series of preferred stock provides us with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. The authorized shares of preferred stock, as well as shares of common stock, are available for issuance without action by holders of common stock, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded.

## **Table of Contents**

### ***Frontier's Certificate of Incorporation and By-laws***

Provisions of the DGCL and our Certificate of Incorporation and By-laws could delay or discourage some transactions involving an actual or potential change in control of us or our management and may limit the ability of our stockholders to remove current management or approve transactions that our stockholders may deem to be in their best interests. These provisions:

authorize the Board to establish one or more series of preferred stock, the terms of which can be determined by the Board at the time of issuance;

provide an advanced written notice procedure with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee of the Board;

state that special meetings of our stockholders may be called by the Chairman of the Board or the Chief Executive Officer and must be called on the request in writing or by vote of a majority of the Board or on request in writing of stockholders of record owning 50% of the capital stock outstanding and entitled to vote;

allow our directors, and not our stockholders, to fill vacancies on the Board, including vacancies resulting from removal or enlargement of the Board; and

grant the Board the authority to amend and repeal the By-laws without a stockholder vote; provided, however, that such authority of the Board is subject to the power of the stockholders to change or repeal any By-laws by a majority vote of the stockholders present and represented at any annual meeting or at any special meeting called for such purpose.

## **Description of debt securities**

We will set forth in the applicable prospectus supplement a description of any debt securities that may be offered pursuant to this prospectus.

## **Description of purchase contracts and purchase units**

We may issue purchase contracts for the purchase or sale of common stock, preferred stock or debt securities issued by us or by third parties as specified in the applicable prospectus supplement. Each purchase contract will entitle the holder thereof to purchase or sell, and obligate us to sell or purchase on specified dates, such securities at a specified purchase price, which may be based on a formula, all as set forth in the applicable prospectus supplement. The purchase contracts may, however, permit us to satisfy our obligations, if any, with respect to such purchase contracts by delivering the cash value of such purchase contracts or the cash value of the securities otherwise deliverable, as set forth in the applicable prospectus supplement. The applicable prospectus supplement will also specify the methods by which the holders may purchase or sell such securities, and any acceleration, cancellation or termination provisions or other provisions relating to the settlement of a purchase contract. The price per security and the number of securities may be fixed at the time the purchase contracts are entered into or may be determined by reference to a specific formula set forth in the applicable purchase contracts.

The purchase contracts may be issued separately or as part of units consisting of a purchase contract and debt securities or debt obligations of third parties, including U.S. treasury securities, or any other securities described in the applicable prospectus supplement or any combination of the foregoing, securing the holders



## **Table of Contents**

obligations to purchase the securities under the purchase contracts, which we refer to herein as purchase units. The purchase contracts may require holders to secure their obligations under the purchase contracts in a specified manner. The purchase contracts also may require us to make periodic payments to the holders of the purchase contracts or the purchase units, as the case may be, or vice versa, and those payments may be unsecured or pre-funded on some basis.

The prospectus supplement relating to any purchase contracts or purchase units we may offer will contain the specific terms of the purchase contracts or purchase units. These terms may include the following:

whether the purchase contracts obligate the holder to purchase or sell, or both, our common stock, preferred stock or debt securities, and the nature and amount of each of those securities, or method of determining those amounts;

whether the purchase contracts are to be prepaid or not;

whether the purchase contracts are to be settled by delivery, or by reference or linkage to the value or performance of our common stock or preferred stock;

any acceleration, cancellation, termination or other provisions relating to the settlement of the purchase contracts; and

whether the purchase contracts will be issued in fully registered global form.

The description in the applicable prospectus supplement of any purchase contract or purchase unit we offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable purchase contract or purchase unit, which will be filed with the SEC if we offer purchase contracts or purchase units. For more information on how you can obtain copies of any purchase contract or purchase unit we may offer, see [Where You Can Find More Information](#). We urge you to read the applicable purchase contract or applicable purchase unit and any applicable prospectus supplement in their entirety.

## **Selling securityholders**

Information about selling security holders, where applicable, will be set forth in a prospectus supplement, in a post-effective amendment or in filings we make with the SEC under the Exchange Act which are incorporated by reference.

## **Plan of distribution**

We may offer and sell these securities to or through one or more underwriters, dealers or agents or directly to purchasers, on a continuous or delayed basis. These securities may also be resold by selling security holders. The prospectus supplement for each offering will describe in detail the plan of distribution for that offering and will set forth the names of any underwriters, dealers or agents involved in the offering and any applicable fees, commissions or discount arrangements.

## **Validity of securities**

The validity of the securities offered hereby will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York.

## Table of Contents

### **Experts**

The consolidated financial statements of Frontier Communications Corporation as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2014, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The combined financial statements of the AT&T Connecticut Wireline Operations (A Business Unit of AT&T Inc.) as of December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, incorporated by reference in this prospectus, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon, and are incorporated by reference herein in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

### **Where you can find more information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy materials with the SEC at the SEC's public reference room, located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference room. Our SEC filings are also available to the public on the SEC's Internet site at <http://www.sec.gov>. Our SEC filings can also be found on our website at <http://www.frontier.com>. However, the information on our website is not a part of this prospectus. In addition, you can inspect reports and other information we file at the office of The Nasdaq Stock Market, One Liberty Plaza, 165 Broadway, New York, NY 10006.

### **Incorporation by reference**

The SEC allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. This prospectus and the information that we file later with the SEC may update and supersede the information we incorporate by reference. We incorporate by reference the following documents listed below and any future filings (other than current reports or portions thereof furnished under Item 2.02 or Item 7.01 of Form 8-K) made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act:

our Annual Report on Form 10-K for the year ended December 31, 2014;

our Current Reports on Form 8-K filed on September 3, 2014 (excluding Exhibits 99.2 and 99.3 thereto), January 7, 2015, February 5, 2015, February 19, 2015, February 26, 2015, March 3, 2015, March 5, 2015, March 10, 2015 and March 31, 2015; and

the description of our common stock as contained in our Registration Statement on Form 8-A, dated December 14, 2011, under the caption "Description of Registrant's Securities to be Registered," including any further amendment or report filed for the purpose of updating such description.

Upon your oral or written request, we will provide you with a copy of any of these filings at no cost. Requests should be directed to Frontier Communications Corporation, 3 High Ridge Park, Stamford, Connecticut 06905, Telephone No. (203) 614-5600.

Table of Contents

***\$1,750,000,000***

**Frontier Communications Corporation**

***17,500,000 shares of***

***% Mandatory Convertible Preferred Stock, Series A***

**Prospectus supplement**

*Joint book-running managers*

**J.P. Morgan**

**BofA Merrill Lynch**

**Citigroup**

*Co-managers*

**Barclays**

**Credit Suisse**

**Morgan Stanley**

**Mizuho Securities**

**Deutsche Bank Securities**

**Goldman, Sachs & Co.**

**UBS Investment Bank**

*, 2015*