

FRONTIER COMMUNICATIONS CORP

Form 10-Q

August 08, 2013

FRONTIER COMMUNICATIONS CORPORATION

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from _____ to _____

Commission file number: 001-11001

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

Delaware
(State or other jurisdiction of
incorporation or organization)

06-0619596
(I.R.S. Employer Identification
No.)

3 High Ridge Park
Stamford, Connecticut
(Address of principal executive
offices)

06905
(Zip Code)

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

N/A

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

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

Yes No

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

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Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Yes No

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

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

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

PART I. FINANCIAL INFORMATION (Continued)

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(\$ in thousands, except for per-share amounts)

(Unaudited)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(\$ in thousands)

(Unaudited)

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

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

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

PART I. FINANCIAL INFORMATION (Continued)

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITYFOR THE SIX MONTHS ENDED JUNE 30, 2012, THE SIX MONTHS ENDED DECEMBER 31, 2012 AND THE
SIX MONTHS ENDED JUNE 30, 2013

(\$ and shares in thousands)

(Unaudited)

Shareholders' Equity of Frontier

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

Sale of Mohave
partnership
interest

Balance June

30, 2013

| | | | | | | | | | |
|-----------|-----------|-------------|----------|-------------|----------|-------------|-----|----------|-------------|
| - | - | - | - | - | - | - | - | (7,918) | (7,918) |
| 1,027,986 | \$256,997 | \$4,408,652 | \$72,885 | \$(470,084) | (27,463) | \$(333,445) | \$- | | \$3,935,005 |

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

PART I. FINANCIAL INFORMATION (Continued)

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies:

(a) Basis of Presentation and Use of Estimates:

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

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

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

(b) Revenue Recognition:

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Goodwill and Other Intangibles:

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

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

(2) Recent Accounting Literature:

Presentation of Comprehensive Income

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

(3) The Transaction:

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

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

(4) Accounts Receivable:

The components of accounts receivable, net are as follows:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(5) Property, Plant and Equipment:

Property, plant and equipment, net is as follows:

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

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

(6) Goodwill and Other Intangibles:

The components of goodwill by the reporting units in effect as of June 30, 2013 are as follows:

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

The components of other intangibles are as follows:

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Fair Value of Financial Instruments:

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

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

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

(8) Long-Term Debt:

The activity in our long-term debt from December 31, 2012 to June 30, 2013 is summarized as follows:

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

\$ 8,381,947

\$ 7,900,922

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information regarding our Senior Unsecured Debt is as follows:

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

- * Represents borrowings under the Credit Agreement with CoBank.
- ** Interest rate represents a weighted average of the stated interest rates of multiple issuances.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

On May 3, 2013, the Company entered into a new \$750.0 million revolving credit facility (the Revolving Credit Facility) and terminated the Company's previously existing revolving credit facility. As of June 30, 2013, no borrowings had been made under the Revolving Credit Facility. The terms of the Revolving Credit Facility are set forth in the credit agreement, dated as of May 3, 2013, among the Company, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and the joint lead arrangers, joint bookrunners, syndication agent and joint documentation agents named therein (the Revolving Credit Agreement). Associated commitment fees under the Revolving Credit Facility will vary from time to time depending on the Company's debt rating (as defined in the Revolving Credit Agreement) and were 0.400% per annum as of June 30, 2013. The Revolving Credit Facility is

scheduled to terminate on November 3, 2016. During the term of the Revolving Credit Facility, the Company may borrow, repay and reborrow funds, and may obtain letters of credit, subject to customary borrowing conditions. Loans under the Revolving Credit Facility will bear interest based on the alternate base rate or the adjusted LIBO rate (each as determined in the Revolving Revolving Credit Agreement), at the Company's election, plus a margin specified in the Revolving Credit Agreement based on the Company's debt rating. Letters of credit issued under the Revolving Credit Facility will also be subject to fees that vary depending on the Company's debt rating. The Revolving Credit Facility is available for general corporate purposes but may not be used to fund dividend payments.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(9) Income Taxes:

The following is a reconciliation of the provision for income taxes computed at federal statutory rates to the effective rates:

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

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

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

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

PART I. FINANCIAL INFORMATION (Continued)

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Net Income (Loss) Per Common Share:

The reconciliation of the net income (loss) per common share calculation is as follows:

| (\$ and shares in thousands, except per share amounts) | For the three months ended | | For the six months ended | |
|---|----------------------------|-----------|--------------------------|-----------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Net income (loss) used for basic and diluted earnings per common share: | | | | |
| Net income (loss) attributable to common shareholders of Frontier | \$ (38,460) | \$ 17,989 | \$ 9,680 | \$ 44,757 |
| Less: Dividends paid on unvested restricted stock awards | (755) | (735) | (1,276) | (1,472) |
| Total basic and diluted net income (loss) attributable to common shareholders of Frontier | \$ (39,215) | \$ 17,254 | \$ 8,404 | \$ 43,285 |
| Basic earnings per common share: | | | | |
| Total weighted average shares and unvested restricted stock awards outstanding - basic | 999,234 | 998,462 | 998,770 | 996,989 |
| Less: Weighted average unvested restricted stock awards | (6,623) | (7,279) | (6,606) | (7,120) |
| Total weighted average shares outstanding - basic | 992,611 | 991,183 | 992,164 | 989,869 |
| Net income (loss) per share attributable to common shareholders of Frontier | \$ (0.04) | \$ 0.02 | \$ 0.01 | \$ 0.04 |
| Diluted earnings per common share: | | | | |
| Total weighted average shares outstanding - basic | 992,611 | 991,183 | 992,164 | 989,869 |
| Effect of dilutive shares | 603 | - | 449 | 10 |
| Effect of dilutive stock units | - | - | - | 704 |
| Total weighted average shares outstanding - diluted | 993,214 | 991,183 | 992,613 | 990,583 |
| Net income (loss) per share attributable to common shareholders of Frontier | \$ (0.04) | \$ 0.02 | \$ 0.01 | \$ 0.04 |

Stock Options

For the three and six months ended June 30, 2013, options to purchase 93,000 shares (at exercise prices ranging from \$12.50 to \$14.15) and for the three and six months ended June 30, 2012, 557,000 shares (at exercise prices ranging from \$8.19 to \$14.15), issuable under employee compensation plans were excluded from the computation of diluted

earnings per share (EPS) for those periods because the exercise prices were greater than the average market price of our common stock and, therefore, the effect would be antidilutive. In calculating diluted EPS, we apply the treasury stock method and include future unearned compensation as part of the assumed proceeds.

Stock Units

At June 30, 2013 and 2012, we had 1,044,128 and 704,527 stock units, respectively, issued under our Non-Employee Directors' Deferred Fee Equity Plan (Deferred Fee Plan) and the Non-Employee Directors' Equity Incentive Plan (Directors' Equity Plan). These securities have not been included in the diluted income per share of common stock calculation for the three months ended June 30, 2013 and 2012 and the six months ended June 30, 2013 because their inclusion would have an antidilutive effect.

(11) Stock Plans:

At June 30, 2013, we had six stock-based compensation plans under which grants were made and awards remained outstanding. No further awards may be granted under four of the plans: the 1996 Equity Incentive Plan (the 1996 EIP), the Amended and Restated 2000 Equity Incentive Plan (the 2000 EIP), the 2009 Equity Incentive Plan (the 2009 EIP) and the Deferred Fee Plan. At June 30, 2013, there were 22,540,761 shares authorized for grant and 17,761,287 shares available for grant under the 2013 Equity Incentive Plan (the 2013 EIP) and the Directors' Equity Plan.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Performance Shares

On February 15, 2012, the Company's Compensation Committee, in consultation with the other non-management directors of the Company's Board of Directors and the Committee's independent executive compensation consultant, adopted the Frontier Long-Term Incentive Plan (the "LTIP"). LTIP awards are granted in the form of performance shares. The LTIP is offered under the Company's 2009 Equity Incentive Plan and participants consist of senior vice presidents and above. The LTIP awards have performance, market and time-vesting conditions.

Beginning in 2012, during the first 90 days of a three-year performance period (a "Measurement Period"), a target number of performance shares are awarded to each LTIP participant with respect to the Measurement Period. The performance metrics under the LTIP are (1) annual targets for operating cash flow based on a goal set during the first 90 days of each year in the three-year Measurement Period and (2) an overall performance "modifier" set during the first 90 days of the Measurement Period, based on the Company's total return to stockholders (i.e., Total Shareholder Return or "TSR") relative to the Integrated Telecommunications Services Group (GICS Code 50101020) for the three-year Measurement Period. Operating cash flow performance is determined at the end of each year and the annual results will be averaged at the end of the three-year Measurement Period to determine the preliminary number of shares earned under the LTIP award. The TSR performance measure is then applied to decrease or increase payouts based on the Company's three year relative TSR performance. LTIP awards, to the extent earned, will be paid out in the form of common stock shortly following the end of the three-year Measurement Period.

On February 15, 2012, the Compensation Committee granted 930,020 performance shares under the LTIP for the 2012-2014 Measurement Period and set the operating cash flow performance goal for the first year in that Measurement Period and the TSR modifier for the three-year Measurement Period. On February 27, 2013, the Compensation Committee approved 1,123,966 target performance shares under the LTIP for the 2013-2015 Measurement Period and set the operating cash flow performance goal for 2013, which applies to the first year of the 2013-2015 Measurement Period and the second year of the 2012-2014 Measurement Period. The performance share awards approved in February 2013 were granted upon stockholder approval of the Company's 2013 Equity Incentive Plan at the Annual Meeting of Stockholders held on May 8, 2013. The number of shares of common stock earned at the end of each three-year Measurement Period may be more or less than the number of target performance shares granted as a result of operating cash flow and TSR performance. An executive must maintain a satisfactory performance rating during the Measurement Period and must be employed by the Company at the end of the three-year Measurement Period in order for the award to vest. The Compensation Committee will determine the number of shares earned for each three year Measurement Period in February of the year following the end of the Measurement Period.

The following summary presents information regarding LTIP target performance shares as of June 30, 2013 and changes during the six months then ended:

| | Number of Shares |
|---|---------------------|
| Balance at January 1, 2013 | 979,000 |
| LTIP target performance shares granted | 1,124,000 |

| | |
|--------------------------|-----------|
| LTIP target performance | (277,000) |
| shares forfeited | |
| Balance at June 30, 2013 | 1,826,000 |

For the six months ended June 30, 2013 and 2012, the Company recognized an expense of \$0.7 million and \$0.2 million, respectively, for the LTIP.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock

The following summary presents information regarding unvested restricted stock as of June 30, 2013 and changes during the six months then ended with regard to restricted stock under the 2009 EIP and the 2013 EIP:

| | Number of Shares | Weighted Average Grant Date Fair Value | Aggregate Fair Value |
|----------------------------|---------------------|---|-------------------------|
| Balance at January 1, 2013 | 7,049,000 | \$ 6.08 | \$ 30,169,000 |
| Restricted stock granted | 3,340,000 | \$ 4.10 | \$ 13,526,000 |
| Restricted stock vested | (1,874,000) | \$ 6.45 | \$ 7,591,000 |
| Restricted stock forfeited | (802,000) | \$ 5.44 | |
| Balance at June 30, 2013 | 7,713,000 | \$ 5.19 | \$ 31,236,000 |

For purposes of determining compensation expense, the fair value of each restricted stock grant is estimated based on the average of the high and low market price of a share of our common stock on the date of grant. Total remaining unrecognized compensation cost associated with unvested restricted stock awards at June 30, 2013 was \$26.8 million and the weighted average period over which this cost is expected to be recognized is approximately two years.

Shares granted during the first six months of 2012 totaled 3,816,000. The total fair value of shares granted and vested during the six months ended June 30, 2012 was approximately \$14.6 million and \$4.5 million, respectively. The total fair value of unvested restricted stock at June 30, 2012 was \$27.7 million. The weighted average grant date fair value of restricted shares granted during the six months ended June 30, 2012 was \$4.19 per share.

Stock Options

The following summary presents information regarding outstanding stock options as of June 30, 2013 and changes during the six months then ended with regard to options under the 2000 EIP and the 2009 EIP:

| | Shares Subject to Option | Weighted Average Option Price Per Share | Weighted Average Remaining Life in Years | Aggregate Intrinsic Value |
|--|--------------------------------|---|--|---------------------------------|
| Balance at January 1, 2013 | 540,000 | \$ 10.99 | 0.9 | \$ - |
| Options granted | - | \$ - | | |
| Options exercised | - | \$ - | | |
| Options canceled, forfeited or lapsed | (447,000) | \$ 10.54 | | |
| Balance at June 30, 2013 | 93,000 | \$ 13.20 | 2.3 | \$ - |
| Exercisable at June 30, 2013 | 93,000 | \$ 13.20 | 2.3 | \$ - |

There were no stock options granted during the first six months of 2012. There was no intrinsic value for the stock options outstanding and exercisable at June 30, 2012.

(12) Segment Information:

We operate in one reportable segment. Frontier provides both regulated and unregulated voice, data and video services to business, residential and wholesale customers and is typically the incumbent provider in its service areas.

As permitted by U.S. GAAP, we have utilized the aggregation criteria to combine our operating segments because all of our Frontier properties share similar economic characteristics, in that they provide the same products and services to similar customers using comparable technologies in all of the states in which we operate. The regulatory structure is generally similar. Differences in the regulatory regime of a particular state do not materially impact the economic characteristics or operating results of a particular property.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Investment Income:

The components of investment income are as follows:

| (\$ in thousands) | For the three months ended June 30, | | For the six months ended June 30, | |
|------------------------------|-------------------------------------|----------|-----------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest and dividend income | \$ 120 | \$ 213 | \$ 1,886 | \$ 2,836 |
| Investment gain | 111 | 9,780 | 1,407 | 9,780 |
| Equity earnings (loss) | - | (2) | - | (522) |
| Total investment income | \$ 231 | \$ 9,991 | \$ 3,293 | \$ 12,094 |

During the first half of 2013 and the second quarter of 2012, we recognized investment gains of \$1.4 million and \$9.8 million, respectively, associated with cash received in connection with our previously written-off investment in Adelphia.

(14) Other Income (Loss), Net:

The components of other income (loss), net are as follows:

| (\$ in thousands) | For the three months ended June 30, | | For the six months ended June 30, | |
|--|-------------------------------------|-------------|-----------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Gain on expiration/settlement of customer advances | \$ - | \$ - | \$ 1,952 | \$ 3,463 |
| Split dollar life insurance proceeds | 2,263 | - | 2,263 | - |
| All other, net | 462 | (1,187) | 102 | (1,165) |
| Total other income (loss), net | \$ 2,725 | \$ (1,187) | \$ 4,317 | \$ 2,298 |

PART I. FINANCIAL INFORMATION (Continued)

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Comprehensive Income:

Comprehensive income consists of net income and other gains and losses affecting shareholders' investment and pension/postretirement benefit (OPEB) liabilities that, under U.S. GAAP, are excluded from net income.

The components of accumulated other comprehensive loss, net of tax at June 30, 2013 and 2012, and changes for the six months then ended, are as follows:

| (\$ in thousands) | Pension Costs | OPEB Costs | Deferred taxes on pension and OPEB costs | All other | Total |
|--|------------------|---------------|---|-----------|--------------|
| Balance at January 1, 2013 | \$(697,874) | \$(74,264) | \$288,712 | \$(150) | \$(483,576) |
| Other comprehensive income before reclassifications | (230) | - | 356 | 2 | 128 |
| Amounts reclassified from accumulated other comprehensive loss | 20,148 | 1,406 | (8,190) | - | 13,364 |
| Net current-period other comprehensive income (loss) | 19,918 | 1,406 | (7,834) | 2 | 13,492 |
| Balance at June 30, 2013 | \$(677,956) | \$(72,858) | \$280,878 | \$(148) | \$(470,084) |

| (\$ in thousands) | Pension Costs | OPEB Costs | Deferred taxes on pension and OPEB costs | All other | Total |
|--|------------------|---------------|---|-----------|--------------|
| Balance at January 1, 2012 | \$(575,163) | \$(41,811) | \$230,161 | \$(150) | \$(386,963) |
| Other comprehensive income before reclassifications | - | - | 973 | 2 | 975 |
| Amounts reclassified from accumulated other comprehensive loss | 15,473 | (1,184) | (5,430) | - | 8,859 |
| Net current-period other comprehensive income (loss) | 15,473 | (1,184) | (4,457) | 2 | 9,834 |
| Balance at June 30, 2012 | \$(559,690) | \$(42,995) | \$225,704 | \$(148) | \$(377,129) |

The significant items reclassified from each component of accumulated other comprehensive loss for the three and six months ended June 30, 2013 and 2012 are as follows:

| (\$ in thousands) | Amount Reclassified from Accumulated Other Comprehensive Loss (a) | | | | Affected Line Item in the Statement Where Net Income is |
|---|--|--|--------------------------------------|---|---|
| | Three months ended June 30, 2013 | Three months ended June 30, 2012 | Six months ended June 30, 2013 | Six months ended June 30, 2012 | |
| Details about Accumulated Other Comprehensive Loss Components | | | | | |

| | | | | | Presented |
|---|-------------|-------------|--------------|-------------|------------------------------|
| Amortization of Pension Cost | | | | | |
| Items (b) | | | | | |
| Prior-service costs | \$ (2) | \$ 50 | \$ (4) | \$ 100 | |
| Actuarial gains/(losses) | (10,072) | (7,787) | (20,144) | (15,573) | |
| | (10,074) | (7,737) | (20,148) | (15,473) | Income before income taxes |
| | | | | | Income tax (expense) benefit |
| Tax impact | 3,828 | 2,940 | 7,656 | 5,880 | Net income |
| | \$ (6,246) | \$ (4,797) | \$ (12,492) | \$ (9,593) | |
| Amortization of Postretirement Cost Items (b) | | | | | |
| Prior-service costs | \$ 1,525 | \$ 2,503 | \$ 3,050 | \$ 5,006 | |
| Actuarial gains/(losses) | (2,228) | (1,911) | (4,456) | (3,822) | |
| | (703) | 592 | (1,406) | 1,184 | Income before income taxes |
| | | | | | Income tax (expense) benefit |
| Tax impact | 267 | (225) | 534 | (450) | Net income |
| | \$ (436) | \$ 367 | \$ (872) | \$ 734 | |

(a) Amounts in parentheses indicate losses.

(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension and postretirement benefit cost (see Note 17 - Retirement Plans for additional details).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(16) Retirement Plans:

The following tables provide the components of net periodic benefit cost:

| | Pension Benefits | | Pension Benefits | |
|---|----------------------------|-----------|--------------------------|-----------|
| | For the three months ended | | For the six months ended | |
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| (\$ in thousands) | | | | |
| Components of net periodic pension benefit cost | | | | |
| | \$ 12,834 | \$ 10,492 | \$ 25,668 | \$ 20,984 |
| Service cost | | | | |
| Interest cost on projected benefit obligation | 18,880 | 19,658 | 37,760 | 39,316 |
| Expected return on plan assets | (24,590) | (24,089) | (49,180) | (48,177) |
| Amortization of prior service cost /(credit) | 2 | (50) | 4 | (100) |
| Amortization of unrecognized loss | 10,072 | 7,787 | 20,144 | 15,573 |
| | \$ 17,198 | \$ 13,798 | \$ 34,396 | \$ 27,596 |
| Net periodic pension benefit cost | | | | |

| | Postretirement Benefits | | Postretirement Benefits | |
|--|----------------------------|----------|----------------------------|-----------|
| | Other Than Pensions (OPEB) | | Other Than Pensions (OPEB) | |
| | For the three months ended | | For the six months ended | |
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| (\$ in thousands) | | | | |
| Components of net periodic postretirement benefit cost | | | | |
| | \$ 3,179 | \$ 2,555 | \$ 6,358 | \$ 5,110 |
| Service cost | | | | |
| Interest cost on projected benefit obligation | 4,440 | 4,460 | 8,880 | 8,920 |
| Expected return on plan assets | (43) | (55) | (86) | (110) |
| Amortization of prior service cost/(credit) | (1,525) | (2,503) | (3,050) | (5,006) |
| Amortization of unrecognized loss | 2,228 | 1,911 | 4,456 | 3,822 |
| | \$ 8,279 | \$ 6,368 | \$ 16,558 | \$ 12,736 |
| Net periodic postretirement benefit cost | | | | |

During the first six months of 2013 and 2012, we capitalized \$10.0 million and \$8.0 million, respectively, of pension and OPEB expense into the cost of our capital expenditures, as the costs relate to our engineering and plant construction activities. Based on current assumptions and plan asset values, we estimate that our 2013 pension and OPEB expenses will be approximately \$100 million to \$110 million, excluding the impact of lump sum settlement accounting, as discussed below, and before amounts capitalized into the cost of capital expenditures (they were \$81.6 million in 2012 before amounts capitalized into the cost of capital expenditures). We made total cash contributions to our pension plan during the six months ended June 30, 2013 of \$25.5 million. We expect that we will make contributions to our pension plan of approximately \$60 million in 2013.

Our pension plan contains provisions that provide certain employees with the option of receiving lump sum payment upon retirement. The Company's policy is to record these payments as a settlement only if, in the aggregate, they exceed the sum of the annual service and interest costs for the plan's net periodic pension benefit cost. Based upon lump sum payments through the end of the second quarter of 2013 and our projection of payments for the remainder of 2013, we expect to exceed this threshold and record settlement charges in the second half of 2013. This would reduce our recorded net income and retained earnings, with an offset to accumulated other comprehensive loss in shareholders' equity of Frontier.

The Plan's assets have decreased from \$1,253.6 million at December 31, 2012 to \$1,165.7 million at June 30, 2013, a decrease of \$87.9 million, or 7%. This decrease is a result of benefit payments of \$142.9 million, primarily lump sum settlements, offset by positive investment returns of \$29.5 million and cash contributions of \$25.5 million during the first six months of 2013.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) Commitments and Contingencies:

We anticipate total capital expenditures for business operations of approximately \$625 million to \$675 million for 2013. Although we from time to time make short-term purchasing commitments to vendors with respect to these expenditures, we generally do not enter into firm, written contracts for such activities.

In connection with the Transaction, the Federal Communications Commission (FCC) and certain state regulatory commissions, in connection with granting their approvals of the Transaction, specified certain capital expenditure and operating requirements for the Acquired Territories for specified periods of time post-closing. These requirements focus primarily on certain capital investment commitments to expand broadband availability to at least 85% of the households throughout the Acquired Territories with minimum download speeds of 3 megabits per second (Mbps) by the end of 2013 and 4 Mbps by the end of 2015. As of June 30, 2013, we had expanded broadband availability in excess of 3 Mbps to 84% of the households throughout the Acquired Territories, and in excess of 4 Mbps to 82% of the households throughout the Acquired Territories.

To satisfy all or part of certain capital investment commitments to three state regulatory commissions, we placed an aggregate amount of \$115.0 million in cash into escrow accounts and obtained a letter of credit for \$190 million in 2010. Another \$72.4 million of cash in an escrow account (with a cash balance of \$9.3 million as of June 30, 2013) was acquired in connection with the Transaction to be used for service quality initiatives in the state of West Virginia. As of June 30, 2013, \$166.8 million had been released from the escrow accounts and the Company had a restricted cash balance in these escrow accounts in the aggregate amount of \$20.9 million, including interest earned. In addition, as of June 30, 2013, the letter of credit had been reduced to \$20 million. The aggregate amount of these escrow accounts and the letter of credit will continue to decrease over time as Frontier makes the required capital expenditures in the respective states.

In our normal course of business, we have obligations under certain non-cancelable arrangements for services. During 2012, we entered into a "take or pay" arrangement for the purchase of future long distance and carrier services. Our total commitments under the arrangement are \$132.0 million, \$141.8 million and \$140.8 million for the years ending December 31, 2013, 2014 and 2015, respectively. As of June 30, 2013, we expect to utilize the services included within the arrangement and no liability for the "take or pay" provision has been recorded.

The Company has entered into an agreement to upgrade a significant portion of its existing vehicle fleet. As of June 30, 2013, the Company has accepted delivery of 3,500 new vehicles and expects to accept delivery of 213 additional new vehicles by September 30, 2013. The new vehicles expected to be leased under this program will represent approximately 50% of our vehicle fleet. The minimum lease commitment for each vehicle is one year and the leases are renewable at the Company's option. The total annual lease expense for all of the new vehicles, once delivered, is expected to be approximately \$30.0 million on an annualized basis.

We are party to various legal proceedings (including individual, class and putative class actions) arising in the normal course of our business covering a wide range of matters and types of claims including, but not limited to, general contracts, billing disputes, rights of access, taxes and surcharges, consumer protection, trademark and patent infringement, employment, regulatory, tort, claims of competitors and disputes with other carriers.

In accordance with U.S. GAAP, we accrue an expense for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. Legal defense costs are expensed as incurred. None of our existing accruals for pending matters is material. We constantly monitor our pending litigation

for the purpose of adjusting our accruals and revising our disclosures accordingly, in accordance with U.S. GAAP, when required. Litigation is, however, subject to uncertainty, and the outcome of any particular matter is not predictable. We will vigorously defend our interests for pending litigation, and as of this date, we believe that the ultimate resolution of all such matters, after considering insurance coverage or other indemnities to which we are entitled, will not have a material adverse effect on our consolidated financial position, results of operations, or our cash flows.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We sold all of our utility businesses as of April 1, 2004. However, we have retained a potential payment obligation associated with our previous electric utility activities in the State of Vermont. The Vermont Joint Owners (VJO), a consortium of 14 Vermont utilities, including us, entered into a purchase power agreement with Hydro-Quebec in 1987. The agreement contains “step-up” provisions that state if any VJO member defaults on its purchase obligation under the contract to purchase power from Hydro-Quebec, then the other VJO participants will assume responsibility for the defaulting party’s share on a pro-rata basis. Our pro-rata share of the purchase power obligation is 10%. If any member of the VJO defaults on its obligations under the Hydro-Quebec agreement, then the remaining members of the VJO, including us, may be required to pay for a substantially larger share of the VJO’s total purchase power obligation for the remainder of the agreement (which runs through 2015). U.S. GAAP rules require that we disclose “the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee.” U.S. GAAP rules also state that we must make such disclosure “... even if the likelihood of the guarantor’s having to make any payments under the guarantee is remote...” As noted above, our obligation only arises as a result of default by another VJO member, such as upon bankruptcy. Therefore, to satisfy the “maximum potential amount” disclosure requirement we must assume that all members of the VJO simultaneously default, an unlikely scenario given that all VJO members are regulated utility providers with regulated cost recovery. Despite the remote chance that such an event could occur, or that the State of Vermont could or would allow such an event, assuming that all the members of the VJO defaulted on January 1, 2013 and remained in default for the duration of the contract (another 3 years), we estimate that our undiscounted purchase obligation for 2013 through 2015 would be approximately \$431.1 million. In such a scenario, the Company would then own the power and could seek to recover its costs. We would do this by seeking to recover our costs from the defaulting members and/or reselling the power to other utility providers or the northeast power grid. There is an active market for the sale of power. We could potentially lose money if we were unable to sell the power at cost. We caution that we cannot predict with any degree of certainty any potential outcome.

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. Statements that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Words such as "believe," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements (including oral representations) are only predictions or statements of current plans, which we review continuously. Forward-looking statements may differ from actual future results due to, but not limited to, and our future results may be materially affected by, potential risks or uncertainties. You should understand that it is not possible to predict or identify all potential risks or uncertainties. We note the following as a partial list:

- The effects of greater than anticipated competition which could require us to implement new pricing, marketing strategies or new product or service offerings and the risk that we will not respond on a timely or profitable basis;
- Reductions in the number of our voice customers that we cannot offset with increases in broadband subscribers and sales of other products and services;
 - The effects of competition from cable, wireless and other wireline carriers;
 - Our ability to maintain relationships with customers, employees or suppliers;
- The effects of ongoing changes in the regulation of the communications industry as a result of federal and state legislation and regulation, or changes in the enforcement or interpretation of such legislation and regulation;
- The effects of any unfavorable outcome with respect to any current or future legal, governmental or regulatory proceedings, audits or disputes;
- 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 adjust successfully to changes in the communications industry and to implement strategies for growth;
- Continued reductions in switched access revenues as a result of regulation, competition or technology substitutions;
 - Our ability to effectively manage service quality in our territories and meet mandated service quality metrics;
- Our ability to successfully introduce new product offerings, including our ability to offer bundled service packages on terms that are both profitable to us and attractive to customers;

- The effects of changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles or regulations;
- Our ability to effectively manage our operations, operating expenses and capital expenditures, and to repay, reduce or refinance our debt;
- The effects of changes in both general and local economic conditions on the markets that we serve, which can affect demand for our products and services, customer purchasing decisions, collectability of revenues and required levels of capital expenditures related to new construction of residences and businesses;

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

- The effects of technological changes and competition on our capital expenditures, products and service offerings, including the lack of assurance that our network improvements in speed and capacity will be sufficient to meet or exceed the capabilities and quality of competing networks;
- The effects of increased medical, pension and postemployment expenses, such as retiree medical and severance costs, and related funding requirements;
- 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 in 2013 and thereafter;
- Changes in pension plan assumptions and/or the value of our pension plan assets, which could require us to make increased contributions to the pension plan in 2014 and beyond;
- The effects of economic downturns, including customer bankruptcies and home foreclosures, which could result in difficulty in collection of revenues and loss of customers;
- 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 availability, or increase the cost, of financing;
- Our cash flow from operations, amount of capital expenditures, debt service requirements, cash paid for income taxes and liquidity may affect our payment of dividends on our common shares;
- 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; and
- The effects of severe weather events such as hurricanes, tornadoes, ice storms or other natural or man-made disasters.

Any of the foregoing events, or other events, could cause financial information to vary from management's forward-looking statements included in this report. You should consider these important factors, in evaluating any statement in this report on Form 10-Q or otherwise made by us or on our behalf. The following information is unaudited and should be read in conjunction with the consolidated financial statements and related notes included in this report. We have no obligation to update or revise these forward-looking statements and do not undertake to do so.

Investors should also be aware that while we do, at various times, communicate with securities analysts, it is against our policy to disclose to them selectively any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by an analyst irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Overview

See Note 3 of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this report for a discussion of the Transaction.

The Company is the largest communications company providing services predominantly to rural areas and small and medium-sized towns and cities in the U.S. The Company operates in 27 states, and is the nation's fourth largest Incumbent Local Exchange Carrier (ILEC), with 3.1 million customers, 1.8 million broadband connections and 14,100 employees as of June 30, 2013.

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

Regulatory Developments

On November 18, 2011, the FCC released a Report and Order and Further Notice of Proposed Rulemaking on the subject of Universal Service Fund and intercarrier compensation reform (the Order). The Order changed how federal subsidies will be calculated and disbursed, with these changes being phased-in beginning in 2012. These changes transition the Federal Universal Service High-Cost Fund, which supports voice services in high-cost areas, to the Connect America Fund (CAF), which supports broadband deployment in high-cost areas. CAF Phase I, implemented in 2012, provides for ongoing USF support for price cap carriers to be capped at the 2011 amount. In addition, the FCC in CAF Phase I made available for price cap ILECs an additional \$300 million in incremental high cost broadband support to be used for broadband deployment to unserved areas. On July 24, 2012, Frontier formally notified the FCC and appropriate state commissions of its intent to accept all of the funds for which it was eligible, amounting to \$71.9 million. The \$71.9 million in incremental CAF Phase I support is expected to enable an incremental 92,877 households for broadband service and will be accounted for as Contributions in Aid of Construction. Frontier is required to implement, spend and enable these 92,877 households no later than July 24, 2015. As of June 30, 2013, Frontier has received the entire \$71.9 million of the CAF Phase I support funds and has initially recorded as increases to Cash and Other liabilities in the balance sheet.

On May 21, 2013, the FCC released a Report and Order authorizing a second round of CAF Phase I. As part of this May 2013 Report and Order, the FCC expanded the areas eligible for funding to include those that lack service of 3Mbps download and 768 kbps upload. Frontier is eligible to receive at least \$71.9 million as part of this program. Frontier is currently evaluating its level of participation in this round of funding.

The Order also makes changes to Intercarrier Compensation. Intercarrier Compensation, which is the payment framework that governs how carriers compensate each other for the exchange of interstate traffic, began a multi-year transition in July 2012, with the second step being implemented in July 2013. The transition will move terminating traffic to a near zero rate by 2017. Frontier will be able to recover a significant portion of those revenues through end user rates and other replacement support mechanisms. We do not expect these changes to have a material impact on our revenues in 2013.

Effective December 29, 2011, the Order required providers to pay interstate access rates for the termination of VoIP toll traffic. On April 25, 2012, the FCC, in an Order on Reconsideration, specified that changes to originating access rates for VoIP traffic will not be implemented until July 2014. The Order has been challenged by certain parties in court and certain parties have also petitioned the FCC to reconsider various aspects of the Order. With the initial implementation commencing in July 2012, the impact during the second half of 2012 and the first half of 2013 was immaterial.

Certain states also have their own open proceedings to address reform to intrastate access charges and other intercarrier compensation and state universal service funds. Although the FCC has pre-empted state jurisdiction on most access charges, many states could consider moving forward with their proceedings. We cannot predict when or how these matters will be decided or the effect on our subsidy or switched access revenues.

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

The following should be read in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(a) Liquidity and Capital Resources

As of June 30, 2013, we had cash and cash equivalents aggregating \$548.6 million (excluding total restricted cash of \$20.9 million, representing funds escrowed for future broadband expansion and service quality initiatives). Our primary source of funds continued to be cash generated from operations. For the six months ended June 30, 2013, we used cash flow from operations, cash on hand and debt proceeds to fund principally all of our cash investing and financing activities, primarily capital expenditures, dividends and debt repayments.

We have a revolving credit facility with a line of credit of \$750.0 million that we believe provides sufficient flexibility to meet our liquidity needs. As of June 30, 2013, we had not made any borrowings under this facility.

At June 30, 2013, we had a working capital surplus of \$128.8 million. We believe our operating cash flows, existing cash balances, and existing revolving credit facility will be adequate to finance our working capital requirements, fund capital expenditures, make required debt payments, pay taxes, pay dividends to our stockholders, and support our short-term and long-term operating strategies through 2013. However, a number of factors, including but not limited to, losses of customers, pricing pressure from increased competition, lower subsidy and switched access revenues, and the impact of the current economic environment are expected to reduce our cash generated from operations. In addition, although we believe, based on information available to us, that the financial institutions syndicated under our revolving credit facility would be able to fulfill their commitments to us, this could change in the future. As of June 30, 2013, we had \$28.9 million of debt maturing during the last six months of 2013 and \$257.9 million and \$259.8 million of debt maturing in 2014 and 2015, respectively.

In addition, the FCC and certain state regulatory commissions, in connection with granting their approvals of the Transaction, specified certain capital expenditure and operating requirements for the Acquired Territories for specified periods of time post-closing. These requirements focus primarily on certain capital investment commitments to expand broadband availability to at least 85% of the households throughout the Acquired Territories with minimum download speeds of 3 Mbps by the end of 2013 and 4 Mbps by the end of 2015.

As of June 30, 2013 and December 31, 2012, we had expanded our broadband availability to the households throughout the Company’s territories as follows:

| | | June 30, 2013 | | December 31, 2012 |
|----------------|--------------------|-------------------------|------------------|----------------------|
| (In excess of) | Frontier Legacy | Acquired Territories | Total Company | Total Company |
| 1 Mbps | 94% | 87% | 89% | 88% |
| 3 Mbps | 80% | 84% | 83% | 83% |
| 4 Mbps | 76% | 82% | 79% | 77% |

| | | | | |
|---------|-----|-----|-----|-----|
| 6 Mbps | 66% | 78% | 75% | 74% |
| 12 Mbps | 52% | 56% | 55% | 51% |
| 20 Mbps | 44% | 43% | 43% | 40% |

To satisfy all or part of certain capital investment commitments to three state regulatory commissions, we placed an aggregate amount of \$115.0 million in cash into escrow accounts and obtained a letter of credit for \$190 million in 2010. Another \$72.4 million of cash in an escrow account (with a cash balance of \$9.3 million as of June 30, 2013) was acquired in connection with the Transaction to be used for service quality initiatives in the state of West Virginia. As of June 30, 2013, \$166.8 million had been released from the escrow accounts. As of June 30, 2013, the Company had a restricted cash balance in these escrow accounts of \$20.9 million and the letter of credit had been reduced to \$20 million. The aggregate amount of these escrow accounts and the letter of credit will continue to decrease over time as Frontier makes the required capital expenditures in the respective states.

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

Cash Flows provided by Operating Activities

Cash flows provided by operating activities declined \$77.1 million, or 10%, for the six months ended June 30, 2013, as compared with the prior year period. The decrease was primarily the result of lower revenue and net income before depreciation and amortization.

We paid \$83.5 million in net cash taxes during the first six months of 2013. We expect that in 2013 our cash taxes for the full year will be approximately \$125 million to \$150 million.

Cash Flows used by Investing Activities

Capital Expenditures

For the six months ended June 30, 2013 and 2012, our capital expenditures were \$326.5 million and \$404.0 million (including \$27.9 million of integration-related capital expenditures for the six months ended June 30, 2012), respectively. We continue to closely scrutinize all of our capital projects, emphasize return on investment and focus our capital expenditures on areas and services that have the greatest opportunities with respect to revenue growth and cost reduction. We anticipate capital expenditures for business operations to decrease in 2013 to approximately \$625 million to \$675 million, as compared to \$748.4 million in 2012, primarily due to the planned completion of geographic broadband expansion requirements established in connection with regulatory approval of the Transaction.

Cash Flows used by Financing Activities

Debt Issuance and Reduction

During the first six months of 2013 and 2012, we retired an aggregate principal amount of \$1,534.1 million and \$537.0 million, respectively, of debt consisting of \$1,533.9 million and \$536.3 million, respectively, of senior unsecured debt and \$0.2 million and \$0.7 million, respectively, of rural utilities service loan contracts in each period.

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

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

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

second quarter of 2013.

We may from time to time make additional repurchases of our debt in the open market, through tender offers, exchanges of debt securities, by exercising rights to call or in privately negotiated transactions. We may also refinance existing debt or exchange existing debt for newly issued debt obligations.

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

Bank Financing

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

Credit Facility

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

Letter of Credit Facility

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

Covenants

The terms and conditions contained in our indentures, the Credit Agreement, the Revolving Credit Agreement and the Letter of Credit Agreement include the timely payment of principal and interest when due, the maintenance of our corporate existence, keeping proper books and records in accordance with U.S. GAAP, restrictions on the incurrence of liens on our assets, and restrictions on asset sales and transfers, mergers and other changes in corporate control. We are not subject to restrictions on the payment of dividends either by contract, rule or regulation, other than that imposed by the General Corporation Law of the State of Delaware. However, we would be restricted under the Credit Agreement, the Revolving Credit Agreement and the Letter of Credit Agreement from declaring dividends if an event of default occurred and was continuing at the time or would result from the dividend declaration.

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

The Credit Agreement and the Revolving Credit Agreement each contain a maximum leverage ratio covenant. Under those covenants, we are required to maintain a ratio of (i) total indebtedness minus cash and cash equivalents (including restricted cash) in excess of \$50.0 million to (ii) consolidated adjusted EBITDA (as defined in the agreements) over the last four quarters no greater than 4.50 to 1.

The Credit Agreement, the Revolving Credit Agreement, the Letter of Credit Agreement and certain indentures for our senior unsecured debt obligations limit our ability to create liens or merge or consolidate with other companies and our subsidiaries' ability to borrow funds, subject to important exceptions and qualifications.

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

Dividends

We currently intend to pay regular quarterly dividends. Our ability to fund a regular quarterly dividend will be impacted by our ability to generate cash from operations. The declarations and payment of future dividends will be at the discretion of our Board of Directors, and will depend upon many factors, including our financial condition, results of operations, growth prospects, funding requirements, applicable law, restrictions in agreements governing our indebtedness and other factors our Board of Directors deem relevant.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial statements.

Future Commitments

In our normal course of business we have obligations under certain non-cancelable arrangements for services. During 2012, we entered into a "take or pay" arrangement for the purchase of future long distance and carrier services. Our total commitments under the arrangement are \$132.0 million, \$141.8 million and \$140.8 million for the years ending December 31, 2013, 2014 and 2015, respectively. As of June 30, 2013, we expect to utilize the services included within the arrangement and no liability for the "take or pay" provision has been recorded.

The Company has entered into an agreement to upgrade a significant portion of its existing vehicle fleet. As of June 30, 2013, the Company has accepted delivery of 3,500 new vehicles and expects to accept delivery of 213 additional new vehicles by September 30, 2013. The new vehicles expected to be leased under this program will represent approximately 50% of our vehicle fleet. The minimum lease commitment for each vehicle is one year and the leases are renewable at the Company's option. The total annual lease expense for all of the new vehicles, once delivered, is expected to be approximately \$30.0 million on an annualized basis.

Critical Accounting Policies and Estimates

We review all significant estimates affecting our consolidated financial statements on a recurring basis and record the effect of any necessary adjustment prior to their publication. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, it is possible that actual results could differ from those estimates and changes to estimates could occur in the near term. The preparation of our interim financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities at the date of the financial statements, (ii) the disclosure of contingent assets and liabilities, and (iii) the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates and judgments are used when accounting for revenue recognition (allowance for doubtful accounts), impairment of long-lived assets, impairment of intangible

assets, depreciation and amortization, pension and other postretirement benefits, income taxes, contingencies and purchase price allocations, among others.

The Company monitors relevant circumstances, including general economic conditions, enterprise value EBITDA multiples for rural ILEC properties, the Company's overall financial performance and the market prices for the Company's common stock, and the potential impact that changes in such circumstances might have on the valuation of the Company's 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.

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

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors and our Audit Committee has reviewed our disclosures relating to such estimates.

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2012.

New Accounting Pronouncements

There were no new accounting standards issued and adopted by the Company during the first six months of 2013, or that have been issued but are not required to be adopted until future periods, with any material financial statement impact.

Presentation of Comprehensive Income

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

Internal Control - Integrated Framework

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued its updated Internal Control – Integrated Framework (the 2013 Framework) and related illustrative documents. COSO will continue to make available its original Framework during the transition period extending to December 15, 2014, after which time COSO will consider the original Framework to be superseded by the 2013 Framework. COSO's original Framework published in 1992 is recognized as the leading guidance for designing, implementing and conducting internal controls over external financial reporting and assessing its effectiveness. The 2013 Framework is expected to help organizations design and implement internal control in light of many changes in business and operating environments since the issuance of the original Framework, broaden the application of internal control in addressing operations and reporting objectives, and clarify the requirements for determining what constitutes effective internal control. We expect the adoption of the 2013 Framework will not have a significant impact on the Company.

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

(b) Results of Operations

REVENUE

Revenue is generated primarily through the provision of local, network access, long distance, data, video and Internet services. Such revenues are generated through either a monthly recurring fee or a fee based on usage and revenue recognition is not dependent upon significant judgments by management, with the exception of a determination of a provision for uncollectible amounts.

Revenue for the three months ended June 30, 2013 decreased \$68.2 million, or 5%, to \$1,190.5 million as compared with the three months ended June 30, 2012. Revenue for the six months ended June 30, 2013 decreased \$130.9 million, or 5%, to \$2,395.9 million as compared with the six months ended June 30, 2012. The declines during both the second quarter and the first six months of 2013 are primarily the result of decreases in voice revenues, and lower switched and nonswitched access revenue, partially offset by \$19.1 million, or 9%, and \$37.3 million, or 9%, respectively, increases in data services revenue, each as described in more detail below. Additionally, wireless revenue decreased by \$9.8 million and \$11.1 million for the three months and six months ended June 30, 2013, respectively, due to the sale of our Mohave Cellular Limited Partnership (Mohave) interest on April 1, 2013.

Switched access and subsidy revenue of \$280.9 million represented 12% of our revenues for the six months ended June 30, 2013. Switched access revenue was \$124.1 million for the six months ended June 30, 2013, or 5% of our revenues, down from \$155.1 million, or 6% of our revenues, for the six months ended June 30, 2012. Subsidy revenue was \$156.8 million for the six months ended June 30, 2013, or 7% of our revenues, down slightly from \$157.6 million, or 6% of our revenues, for the six months ended June 30, 2012. We expect declining revenue trends in switched access and subsidy revenue during the remainder of 2013.

During the quarter ended June 30, 2013, we lost 19,300 customers, as compared to a loss of 65,700 customers during the quarter ended June 30, 2012. We believe the improved customer retention in 2013 as compared to 2012 is principally due to our investments in our network, our local engagement strategy, improved customer service and simplified products and packages. We lost 16,400 residential customers and 2,900 business customers during the quarter ended June 30, 2013, or 5% on an annual basis, as compared to 60,000 residential customers and 5,700 business customers lost during the quarter ended June 30, 2012, or 8.5% on an annual basis. Average monthly residential revenue per customer increased \$1.03 to \$59.10 during the quarter ended June 30, 2013 as compared to the quarter ended June 30, 2012. This increase is due to the additional monthly subscriber line charges to our residential customers that were implemented in the third quarter of 2012, as permitted by the Order, increased penetration of products and rationalized product pricing. The average monthly residential revenue per customer for the quarter ended June 30, 2013 of \$59.10 represented a \$0.28 increase, or 0.5%, as compared to \$58.82 for the quarter ended March 31, 2013. Our residential customer churn was 1.64% for the quarter ended June 30, 2013, stable with the quarter ended March 31, 2013 and the quarter ended June 30, 2012.

During the six months ended June 30, 2013, the Company added approximately 57,700 net broadband subscribers. During the first half of 2012, the Company added approximately 17,100 net broadband subscribers. The Company's broadband customer base grew by approximately 29,500 during the second quarter of 2013, as compared to 5,400 during the second quarter of 2012. The Company plans to continue to expand broadband availability and speed over the next several years. We expect to continue to increase broadband subscribers during the remainder of 2013.

Management believes that customer counts and revenue per customer are the most important factors in evaluating our business trends. Among the key services we provide to residential customers are voice service, data service, video service, and, in some markets, wireless service. We continue to explore the potential to provide additional services to our customer base, with the objective of meeting all of our customers' communications needs, as well as increasing revenue per customer. For business customers we provide voice and data services, as well as a broad range of value-added services.

For the above reasons, presented in the table titled "Other Financial and Operating Data" below is an analysis that presents customer counts, average monthly revenue and churn. It also categorizes revenue into customer revenue (business and residential) and regulatory revenue (switched access and subsidy revenue). Despite the 6% decline in business customers and the 5% decline in residential customers since June 30, 2012, customer revenue (all revenue except switched access and subsidy revenue) declined in the first six months of 2013 by 4% as compared to the prior year period. The decline in customers was partially offset by increased penetration of additional products sold to both business and residential customers, which has increased our average monthly revenue per customer. Economic conditions, a substantial further loss of customers, and increasing competition could make it more difficult to sell our bundled service offerings, and cause us to increase our promotions and/or lower our prices for our products and services, which could adversely affect our revenue, profitability and cash flows.

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

OTHER FINANCIAL AND OPERATING DATA

| | As of June 30, 2013 | As of December 31, 2012 | % Increase (Decrease) | As of June 30, 2012 | % Increase (Decrease) |
|-------------------------|------------------------|----------------------------|--------------------------|------------------------|--------------------------|
| Customers | 3,121,014 | 3,173,169 | (2%) | 3,275,354 | (5%) |
| Broadband subscribers | 1,812,110 | 1,754,422 | 3% | 1,748,156 | 4% |
| Video subscribers | | | | | |
| DISH and FiOS | 380,180 | 346,627 | 10% | 317,494 | 20% |
| DirecTV (1) | - | - | - | 203,123 | (100%) |
| Total video subscribers | 380,180 | 346,627 | 10% | 520,617 | (27%) |

| | For the three months ended June 30, | | \$ Increase (Decrease) | % Increase (Decrease) | For the six months ended June 30, | |
|--|-------------------------------------|--------------|---------------------------|--------------------------|-----------------------------------|--------------|
| | 2013 | 2012 | | | 2013 | 2012 |
| Revenue (in 000's): | | | | | | |
| Business | \$ 546,367 | \$ 569,086 | (22,719) | (4%) | \$ 1,094,707 | \$ 1,138,170 |
| Residential | 505,483 | 534,033 | (28,550) | (5%) | 1,020,281 | 1,075,930 |
| Customer revenue | 1,051,850 | 1,103,119 | (51,269) | (5%) | 2,114,988 | 2,214,100 |
| Switched access and subsidy | 138,683 | 155,658 | (16,975) | (11%) | 280,941 | 312,720 |
| Total revenue | \$ 1,190,533 | \$ 1,258,777 | (68,244) | (5%) | \$ 2,395,929 | \$ 2,526,830 |
| Switched access minutes of use (in millions) | 4,109 | 4,771 | | (14%) | 8,399 | 9,280 |

| | As of or for the three months ended June 30, | | | % Increase (Decrease) | As of or for the six months ended June 30, | | |
|----------------------------|--|------|--|--------------------------|--|------|--|
| | 2013 | 2012 | | | 2013 | 2012 | |
| Business Customer Metrics: | | | | | | | |

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| | | | | | |
|--|------------|------------|------|--------------|--------------|
| Customers | 278,131 | 296,458 | (6%) | 278,131 | 296,458 |
| Revenue (in 000's) | \$ 546,367 | \$ 569,086 | (4%) | \$ 1,094,707 | \$ 1,138,170 |
| Average monthly business revenue per customer | \$ 651.39 | \$ 633.80 | 3% | \$ 647.68 | \$ 626.90 |
| Residential Customer Metrics: | | | | | |
| Customers | 2,842,883 | 2,978,896 | (5%) | 2,842,883 | 2,978,896 |
| Revenue (in 000's) | \$ 505,483 | \$ 534,033 | (5%) | \$ 1,020,281 | \$ 1,075,930 |
| Average monthly residential revenue per customer (2) | \$ 59.10 | \$ 58.07 | 2% | \$ 58.98 | \$ 57.90 |
| Customer monthly churn | 1.64% | 1.64% | - | 1.64% | 1.61% |

(1) Decline in video subscribers is due to the loss of 203,100 DirecTV subscribers in the third quarter of 2012, as Frontier no longer carries DirecTV as part of its bundled packages.

(2) Calculation excludes the Mohave Cellular Limited Partnership (Mohave), which was sold to Verizon Wireless on April 1, 2013.

Note: As stated in our report for the quarterly period ended March 31, 2013, prior period revenue and certain operating statistics have been revised from the previously disclosed amounts to reflect the immaterial reclassification of certain revenues and the related impact on average monthly revenue per customer amounts.

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

REVENUE

| (\$ in thousands) | For the three months ended June 30, | | \$ Increase (Decrease) | % Increase (Decrease) |
|----------------------------------|-------------------------------------|--------------|---------------------------|--------------------------|
| | 2013 | 2012 | | |
| Local and long distance services | \$ 513,800 | \$ 562,900 | \$ (49,100) | (9%) |
| Data and internet services | 467,428 | 452,168 | 15,260 | 3% |
| Other | 70,622 | 88,051 | (17,429) | (20%) |
| Customer revenue | 1,051,850 | 1,103,119 | (51,269) | (5%) |
| Switched access and subsidy | 138,683 | 155,658 | (16,975) | (11%) |
| Total revenue | \$ 1,190,533 | \$ 1,258,777 | \$ (68,244) | (5%) |
| | | | | |
| | For the six months ended June 30, | | \$ Increase (Decrease) | % Increase (Decrease) |
| | 2013 | 2012 | | |
| Local and long distance services | \$ 1,039,744 | \$ 1,139,142 | \$ (99,398) | (9%) |
| Data and internet services | 922,264 | 896,051 | 26,213 | 3% |
| Other | 152,980 | 178,911 | (25,931) | (14%) |
| Customer revenue | 2,114,988 | 2,214,104 | (99,116) | (4%) |
| Switched access and subsidy | 280,941 | 312,727 | (31,786) | (10%) |
| Total revenue | \$ 2,395,929 | \$ 2,526,831 | \$ (130,902) | (5%) |

Local and Long Distance Services

Local and long distance services revenue for the three and six months ended June 30, 2013 decreased \$49.1 million, or 9%, to \$513.8 million, and \$99.4 million, or 9%, to \$1,039.7 million, respectively, as compared with the three and six months ended June 30, 2012 primarily due to the continued loss of voice customers and, to a lesser extent, decreases in individual features packages and long distance. Local and enhanced services revenue for the three and six months ended June 30, 2013 decreased \$31.4 million, or 7%, to \$421.9 million, and \$66.4 million, or 7%, to \$854.6 million, respectively, primarily due to the continued loss of voice customers and, to a lesser extent, decreases in individual features packages. Long distance services revenue for the three and six months ended June 30, 2013 decreased \$17.7 million, or 16%, to \$91.9 million, and \$33.0 million, or 15%, to \$185.1 million, respectively, primarily due to lower minutes of use driven by fewer customers, including the migration to bundled packages, and a lower average revenue per minute of use.

Data and Internet Services

Data and Internet services revenue for the three and six months ended June 30, 2013 increased \$15.3 million, or 3%, to \$467.4 million, and \$26.2 million, or 3%, to \$922.3 million, respectively, as compared with the three and six months ended June 30, 2012. Data services revenue increased \$19.1 million, or 9%, to \$231.3 million, and \$37.3 million, or 9%, to \$452.7 million, respectively, for the three and six months ended June 30, 2013, as compared with the same periods of 2012, primarily due to increases in the number of broadband customers and sales of Frontier

Secure products. As of June 30, 2013, the number of the Company's broadband subscribers increased by approximately 64,000, or 4%, since June 30, 2012. Data and Internet services also includes nonswitched access revenue from data transmission services to other carriers and high-volume business customers with dedicated high-capacity Internet and ethernet circuits. Nonswitched access revenue decreased \$3.8 million, or 2%, to \$236.1 million, and \$11.1 million, or 2%, to \$469.6 million, respectively, for the three and six months ended June 30, 2013, as compared with the comparable periods of 2012, due to lower monthly recurring charges and the reduction in settlements of disputes with carriers.

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

Other

Other revenue for the three and six months ended June 30, 2013 decreased \$17.4 million, or 20%, to \$70.6 million, and \$25.9 million, or 14%, to \$153.0 million, respectively, as compared with the three and six months ended June 30, 2012, primarily due to lower wireless revenue associated with the sale of our Mohave Cellular Limited Partnership interest on April 1, 2013, the reduction in customers for FiOS video service, lower directory services revenue and decreased sales of customer premise equipment, partially offset by lower bad debt expenses that are charged against revenue and an increase in revenues earned from our DISH Network partnership.

Switched Access and Subsidy

Switched access and subsidy revenue for the three and six months ended June 30, 2013 decreased \$17.0 million, or 11%, to \$138.7 million, and \$31.8 million, or 10%, to \$280.9 million, respectively, as compared with the three and six months ended June 30, 2012. Switched access revenue decreased \$16.4 million, or 21%, to \$61.8 million, and \$31.0 million, or 20%, to \$124.1 million, for the second quarter and first six months of 2013, as compared with the same periods of 2012, primarily due to the impact of a decline in minutes of use related to access line losses and the displacement of minutes of use by wireless, email and other communications services combined with a reduction due to the impact of the lower rates enacted by the first phase of the FCC's intercarrier compensation reform. Switched access and subsidy revenue includes subsidy payments we receive from federal and state agencies, including surcharges billed to customers that are remitted to universal service administrators. Subsidy revenue decreased \$0.6 million to \$76.9 million, and \$0.8 million to \$156.8 million, respectively, for the three and six months ended June 30, 2013, as compared with the same period of 2012, primarily due to the lower contribution factor for end user USF in 2013.

Federal and state subsidies and surcharges (which are billed to customers and remitted to universal service administrators) for the Company were \$82.3 million, \$16.5 million and \$58.0 million, respectively, and \$156.8 million in total, or 7% of our revenues, for the six months ended June 30, 2013. The federal and state subsidy revenue for the six months ended June 30, 2013 represents 4% of our consolidated revenues. Total federal and state subsidies and surcharges were \$157.6 million, or 6% of our revenues, for the six months ended June 30, 2012.

On November 18, 2011, the FCC released a Report and Order and Further Notice of Proposed Rulemaking on the subject of Universal Service Fund and intercarrier compensation reform (the Order). The Order changed how federal subsidies will be calculated and disbursed, with these changes being phased-in beginning in 2012. These changes transition the Federal Universal Service High-Cost Fund, which supports voice services in high-cost areas, to the CAF, which supports broadband deployment in high-cost areas. CAF Phase I, implemented in 2012, provides for ongoing USF support for price cap carriers to be capped at the 2011 amount. In May 2013, the FCC announced that the CAF Phase I program will be continued in 2013. Frontier is currently evaluating its level of participation in this round of funding.

The Order also makes changes to Intercarrier Compensation. Intercarrier Compensation, which is the payment framework that governs how carriers compensate each other for the exchange of interstate traffic, began a multi-year transition in July 2012, with the second step being implemented in July 2013. The transition will move terminating traffic to a near zero rate by 2017. Frontier will be able to recover a significant portion of those revenues through end user rates and other replacement support mechanisms. We do not expect these changes to have a material impact on our revenues in 2013.

Effective December 29, 2011, the Order required providers to pay interstate access rates for the termination of VoIP toll traffic. On April 25, 2012, the FCC, in an Order on Reconsideration, specified that changes to originating access rates for VoIP traffic will not be implemented until July 2014. The Order has been challenged by certain parties in court and certain parties have also petitioned the FCC to reconsider various aspects of the Order. With the initial implementation commencing in July 2012, the impact during the second half of 2012 and the first half of 2013 was immaterial.

Certain states also have their own open proceedings to address reform to intrastate access charges and other intercarrier compensation and state universal service funds. Although the FCC has pre-empted state jurisdiction on most access charges, many states could consider moving forward with their proceedings. We cannot predict when or how these matters will be decided or the effect on our subsidy or switched access revenues.

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

OPERATING EXPENSES

NETWORK ACCESS EXPENSES

| (\$ in thousands) | For the three months ended June 30, | | \$ Increase (Decrease) | % Increase (Decrease) |
|-------------------|-------------------------------------|------------|---------------------------|--------------------------|
| | 2013 | 2012 | | |
| Network access | \$ 107,114 | \$ 115,433 | \$ (8,319) | (7%) |
| | For the six months ended June 30, | | | |
| | 2013 | 2012 | \$ Increase (Decrease) | % Increase (Decrease) |
| Network access | \$ 216,512 | \$ 231,002 | \$ (14,490) | (6%) |

Network access expenses for the three and six months ended June 30, 2013 decreased \$8.3 million, or 7%, to \$107.1 million, and \$14.5 million, or 6%, to \$216.5 million, respectively, as compared with the three and six months ended June 30, 2012, primarily due to a reduction in costs for our originating traffic associated with the implementation of the Order effective with the second half of 2012, reduced content costs related to fewer customers for FiOS video service and decreased long distance carriage costs in 2013.

OTHER OPERATING EXPENSES

| (\$ in thousands) | For the three months ended June 30, | | \$ Increase (Decrease) | % Increase (Decrease) |
|------------------------------|-------------------------------------|--------------|---------------------------|--------------------------|
| | 2013 | 2012 | | |
| Wage and benefit expenses | \$ 287,317 | \$ 294,663 | \$ (7,346) | (2%) |
| All other operating expenses | 246,698 | 245,248 | 1,450 | 1% |
| | \$ 534,015 | \$ 539,911 | \$ (5,896) | (1%) |
| | For the six months ended June 30, | | | |
| | 2013 | 2012 | \$ Increase (Decrease) | % Increase (Decrease) |
| Wage and benefit expenses | \$ 578,891 | \$ 587,258 | \$ (8,367) | (1%) |
| All other operating expenses | 496,623 | 504,236 | (7,613) | (2%) |
| | \$ 1,075,514 | \$ 1,091,494 | \$ (15,980) | (1%) |

Wage and benefit expenses

Wage and benefit expenses for the three and six months ended June 30, 2013 decreased \$7.3 million to \$287.3 million, and \$8.4 million to \$578.9 million, respectively, as compared to the three and six months ended June 30, 2012, primarily due to lower costs for compensation resulting from lower average employee headcount, partially offset by higher costs for certain other benefits, including pension and OPEB expense, as discussed below. Wage and benefit expenses included \$6.7 million and \$8.0 million of severance costs for the six month periods in 2013 and 2012, related to 225 and 304 employees, respectively.

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

Since closing the Transaction, the Company has been reducing its reliance on outside contractors and vendors by bringing work in-house to employees. With the systems and network conversions completed, the Company is focusing on simplifying its processes to reduce wage and non-wage costs.

Pension and OPEB costs for the Company are included in our wage and benefit expenses. Pension and OPEB costs for the three months ended June 30, 2013 and 2012 were approximately \$20.5 million and \$16.3 million, respectively. Pension and OPEB costs include pension and OPEB expense of \$25.5 million and \$20.1 million, less amounts capitalized into the cost of capital expenditures of \$5.0 million and \$3.8 million, respectively.

Pension and OPEB costs for the six months ended June 30, 2013 and 2012 were approximately \$41.0 million and \$32.3 million, respectively. Pension and OPEB costs include pension and OPEB expense of \$51.0 million and \$40.3 million, less amounts capitalized into the cost of capital expenditures of \$10.0 million and \$8.0 million for the six months ended June 30, 2013 and 2012, respectively.

Based on current assumptions and plan asset values, we estimate that our 2013 pension and other postretirement benefit expenses (which were \$81.6 million in 2012 before amounts capitalized into the cost of capital expenditures) will be approximately \$100 million to \$110 million, excluding the impact of lump sum settlement accounting, and before amounts capitalized into the cost of capital expenditures.

Our pension plan contains provisions that provide certain employees with the option of receiving lump sum payment upon retirement. The Company's policy is to record these payments as a settlement only if, in the aggregate, they exceed the sum of the annual service and interest costs for the plan's net periodic pension benefit cost. Based upon lump sum payments through the end of the second quarter of 2013 and our projection of payments for the remainder of 2013, we expect to exceed this threshold and record settlement charges in the second half of 2013. This would reduce our recorded net income and retained earnings, with an offset to accumulated other comprehensive loss in shareholders' equity of Frontier.

All other operating expenses

All other operating expenses for the three and six months ended June 30, 2013 increased \$1.5 million, or 1%, to \$246.7 million, and decreased \$7.6 million, or 2%, to \$496.6 million, respectively, as compared with the three and six months ended June 30, 2012, primarily due to lower outside service costs, as described above, the lower contribution factor for end user USF in 2013, and the elimination of redundant information technology costs associated with the completion of the systems conversions.

DEPRECIATION AND AMORTIZATION EXPENSE

(\$ in thousands)

| | For the three months ended June 30, | | | |
|----------------------|-------------------------------------|------------|---------------------------|--------------------------|
| | 2013 | 2012 | \$ Increase (Decrease) | % Increase (Decrease) |
| Depreciation expense | \$ 210,828 | \$ 208,530 | \$ 2,298 | 1% |
| Amortization expense | 87,021 | 98,517 | (11,496) | (12%) |
| | \$ 297,849 | \$ 307,047 | \$ (9,198) | (3%) |

For the six months ended June 30,

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| | 2013 | 2012 | \$ Increase (Decrease) | % Increase (Decrease) |
|----------------------|------------|------------|---------------------------|--------------------------|
| Depreciation expense | \$ 427,482 | \$ 418,876 | \$ 8,606 | 2% |
| Amortization expense | 174,042 | 245,471 | (71,429) | (29%) |
| | \$ 601,524 | \$ 664,347 | \$ (62,823) | (9%) |

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

Depreciation and amortization expense for the three and six months ended June 30, 2013 decreased \$9.2 million, or 3%, to \$297.8 million, and \$62.8 million, or 9%, to \$601.5 million, respectively, as compared to the three and six months ended June 30, 2012. Amortization expense decreased \$71.4 million in 2013, primarily due to lower amortization expense associated with the accelerated write-off during the first quarter of 2012 of certain software licenses no longer required for operations as a result of the completed systems conversions, certain Frontier legacy properties that were fully amortized in 2012 and the amortization related to the customer base that is amortized on an accelerated method. Depreciation expense increased \$8.6 million in 2013, primarily due to changes in the remaining useful lives of certain assets.

We annually commission an independent study to update the estimated remaining useful lives of our plant assets. The latest study was completed in the fourth quarter of 2012, and after review and analysis of the results, we adopted new lives for certain plant assets as of October 1, 2012. Our “composite depreciation rate” for plant assets was 6.65% as a result of the study. We anticipate depreciation expense of approximately \$850 million to \$870 million for 2013.

Amortization expense for the six months ended June 30, 2013 and 2012 included \$174.0 million and \$234.6 million, respectively, for intangible assets (primarily customer base) that were acquired in the Transaction based on an estimated useful life of nine years for the residential customer base and 12 years for the business customer base, amortized on an accelerated method. We anticipate amortization expense of approximately \$330 million for 2013.

INTEGRATION COSTS

| (\$ in thousands) | For the three months ended June 30, | |
|-------------------|-------------------------------------|-----------|
| | 2013 | 2012 |
| Integration costs | \$ - | \$ 28,602 |
| | For the six months ended June 30, | |
| | 2013 | 2012 |
| Integration costs | \$ - | \$ 63,746 |

Integration costs included expenses incurred to integrate the network and information technology platforms, and to enable other integration and cost savings initiatives. As of March 31, 2012, the Company had completed its network and systems integration into one platform. While these conversions have been completed, the Company continued throughout 2012 to simplify its processes, eliminate redundancies and further reduce its cost structure while improving its customer service capabilities. The Company incurred \$28.6 million and \$63.7 million of operating expenses during the three and six months ended June 30, 2012, respectively, and \$27.9 million in capital expenditures related to integration activities during the first six months of 2012. All integration activities were completed as of the end of 2012.

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

GAIN ON SALE OF MOHAVE PARTNERSHIP INTEREST

For the three months ended June 30,

| (\$ in thousands) | 2013 | 2012 |
|---|-----------|------|
| Gain on sale of Mohave partnership interest | \$ 14,601 | \$ - |

For the six months ended June 30,

| (\$ in thousands) | 2013 | 2012 |
|---|-----------|------|
| Gain on sale of Mohave partnership interest | \$ 14,601 | \$ - |

On April 1, 2013, the Company sold its 33 % partnership interest in the Mohave Cellular Limited Partnership, in which Frontier was the General Partner. The Company recognized a gain on sale of approximately \$14.6 million before taxes in the second quarter of 2013.

INVESTMENT INCOME / LOSSES ON EARLY EXTINGUISHMENT OF DEBT / OTHER INCOME (LOSS),
NET / INTEREST EXPENSE / INCOME TAX EXPENSE (BENEFIT)

For the three months ended June 30,

| (\$ in thousands) | 2013 | 2012 | \$ Increase (Decrease) | % Increase (Decrease) |
|--|---------------|--------------|---------------------------|--------------------------|
| Investment income | \$ 231 | \$ 9,991 | \$ (9,760) | (98%) |
| Losses on early extinguishment of debt | \$ (159,780) | \$ (70,818) | \$ (88,962) | (126%) |
| Other income (loss), net | \$ 2,725 | \$ (1,187) | \$ 3,912 | NM |
| Interest expense | \$ 166,547 | \$ 172,054 | \$ (5,507) | (3%) |
| Income tax expense (benefit) | \$ (18,755) | \$ 11,717 | \$ (30,472) | (260%) |

For the six months ended June 30,

| (\$ in thousands) | 2013 | 2012 | \$ Increase (Decrease) | % Increase (Decrease) |
|--|---------------|--------------|---------------------------|--------------------------|
| Investment income | \$ 3,293 | \$ 12,094 | \$ (8,801) | (73%) |
| Losses on early extinguishment of debt | \$ (159,780) | \$ (70,818) | \$ (88,962) | (126%) |
| Other income (loss), net | \$ 4,317 | \$ 2,298 | \$ 2,019 | 88% |
| Interest expense | \$ 337,967 | \$ 336,916 | \$ 1,051 | - |
| Income tax expense | \$ 14,520 | \$ 30,411 | \$ (15,891) | (52%) |

Investment Income

Investment income for the three and six months ended June 30, 2013 decreased \$9.8 million to \$0.2 million, and \$8.8 million to \$3.3 million, respectively, as compared with the three and six months ended June 30, 2012, primarily due to the investment gains associated with cash received in connection with our previously written-off investment in Adelphia of \$1.4 million during the first half of 2013 as compared to \$9.8 million in second quarter and first six months of 2012.

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

Our average cash balances were \$917.0 million and \$367.3 million for the six months ended June 30, 2013 and 2012, respectively. Our average total restricted cash balance was \$35.4 million and \$129.8 million for the six months ended June 30, 2013 and 2012, respectively.

Losses on Early Extinguishment of Debt

Losses on early extinguishment of debt for the three and six months ended June 30, 2013 increased \$89.0 million as compared with the three and six months ended June 30, 2012.

During the second quarter of 2013, we recognized a loss of \$104.9 million on the early extinguishment of debt in connection with the debt tender offers that resulted in the retirement of \$194.9 million of the March 2015 Notes, \$277.9 million of the April 2015 Notes and \$225.0 million of the 2017 Notes. Additionally, we recognized a loss of \$54.9 million during the second quarter of 2013 for \$208.8 million in privately negotiated repurchases of our 2017 Notes and for \$17.3 million and \$78.5 million in open market repurchases of our 8.125% senior notes due 2018 and 8.500% senior notes due 2020, respectively.

During the second quarter of 2012, we recognized a loss of \$69.2 million on the early extinguishment of debt in connection with a \$500.0 million debt tender offer for our 8.250% Senior Notes due 2014 and 7.875% Senior Notes due 2015. We also recognized a loss of \$1.6 million during the second quarter of 2012 for \$58.0 million in open market repurchases of our 6.25% Senior Notes due 2013.

Other Income (Loss), Net

Other income (loss), net for the three and six months ended June 30, 2013 increased \$3.9 million, to \$2.7 million, and \$2.0 million to \$4.3 million, respectively, as compared with the three and six months ended June 30, 2012, primarily due to proceeds of \$2.3 million in the settlement of a split-dollar life insurance policy for a former senior executive during the second quarter of 2013.

Interest expense

Interest expense for the three and six months ended June 30, 2013 decreased \$5.5 million, or 3%, to \$166.5 million, and increased \$1.1 million, to \$338.0 million, respectively, as compared with the three and six months ended June 30, 2012, primarily due to lower average debt levels resulting from the debt refinancing activities and debt retirements during the second quarter of 2013 and higher capitalized interest in the second quarter of 2013. Our average debt outstanding was \$8,272.7 million and \$8,449.0 million for the second quarter of 2013 and 2012, respectively, and \$8,416.2 million and \$8,406.1 million for the six months ended June 30, 2013 and 2012, respectively. Our composite average borrowing rate as of June 30, 2013 and 2012 was 7.95% and 7.90%, respectively.

Income tax expense (benefit)

Income tax expense (benefit) for the three and six months ended June 30, 2013 decreased \$30.5 million to an income tax benefit of (\$18.8) million, and \$15.9 million to \$14.5 million, respectively, as compared with the three and six months ended June 30, 2012, primarily due to lower pretax income in 2013, resulting from the \$89.0 million in additional losses on the early extinguishment of debt in 2013 as compared to 2012. The effective tax rate for the first six months of 2013 and 2012 was 54.1% and 36.7%, respectively.

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

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

We paid \$83.5 million in net cash taxes and received \$0.2 million in cash tax refunds, net during the six months ended June 30, 2013, and 2012, respectively. Absent any legislative changes in 2013, we expect that our cash tax payments will be approximately \$125 million to \$150 million for the full year of 2013. Our 2013 cash tax estimate reflects the continued impact of bonus depreciation in accordance with the American Taxpayer Relief Act of 2012.

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

Net income (loss) attributable to common shareholders of Frontier

Net loss attributable to common shareholders of Frontier for the second quarter of 2013 was \$38.5 million, or \$0.04 per share, as compared to net income of \$18.0 million, or \$0.02 per share, in the second quarter of 2012, and net income of \$9.7 million, or \$0.01 per share, as compared to \$44.8 million, or \$0.04 per share, for the six months ended June 30, 2012.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of our business operations due to ongoing investing and funding activities, including those associated with our pension plan assets. Market risk refers to the potential change in fair value of a financial instrument as a result of fluctuations in interest rates and equity prices. We do not hold or issue derivative instruments, derivative commodity instruments or other financial instruments for trading purposes. As a result, we do not undertake any specific actions to cover our exposure to market risks, and we are not party to any market risk management agreements other than in the normal course of business. Our primary market risk exposures are interest rate risk and equity price risk as follows:

Interest Rate Exposure

Our exposure to market risk for changes in interest rates relates primarily to the interest-bearing portion of our pension investment portfolio and related obligations, and floating rate indebtedness. Our long-term debt as of June 30, 2013 was 94% fixed rate debt with minimal exposure to interest rate changes. We had no interest rate swap agreements related to our fixed rate debt in effect at June 30, 2013.

Our objectives in managing our interest rate risk are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, all but \$488.8 million of our outstanding borrowings at June 30, 2013 have fixed interest rates. In addition, our undrawn \$750.0 million revolving credit facility has interest rates that float with LIBO, as defined. Consequently, we have limited material future earnings or cash flow exposures from changes in interest rates on our long-term debt. An adverse change in interest rates would increase the amount that we pay on our variable rate obligations and could result in fluctuations in the fair value of our fixed rate obligations. Based upon our overall interest rate exposure at June 30, 2013, a near-term change in interest rates would not materially affect our consolidated financial position, results of operations or cash flows.

Sensitivity analysis of interest rate exposure

At June 30, 2013, the fair value of our long-term debt was estimated to be approximately \$8.2 billion, based on our overall weighted average borrowing rate of 7.95% and our overall weighted average maturity of approximately 10 years. As of June 30, 2013, there has been no material change in the weighted average maturity applicable to our obligations since December 31, 2012.

Equity Price Exposure

Our exposure to market risks for changes in equity security prices as of June 30, 2013 is limited to our pension plan assets. We have no other security investments of any material amount.

The Company's pension plan assets have decreased from \$1,253.6 million at December 31, 2012 to \$1,165.7 million at June 30, 2013, a decrease of \$87.9 million, or 7%. This decrease is a result of benefit payments of \$142.9 million, primarily lump sum settlements, offset by positive investment returns of \$29.5 million and cash contributions of \$25.5 million during the first six months of 2013. We expect that we will make contributions to our pension plan of approximately \$60 million in 2013.

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

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, regarding the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended). Based upon this evaluation, our principal executive officer and principal financial officer concluded, as of the end of the period covered by this report, June 30, 2013, that our disclosure controls and procedures were effective.

(b) Changes in internal control over financial reporting

We reviewed our internal control over financial reporting at June 30, 2013. As a result of the Transaction, we have integrated the business processes and systems of the Acquired Business and, as of March 31, 2012, the Company had completed its network and systems integration into one platform. Accordingly, certain changes were made to our internal controls over financial reporting during 2012.

There have been no other changes in our internal control over financial reporting identified in an evaluation thereof that occurred during the second fiscal quarter of 2013 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued its updated Internal Control – Integrated Framework (the 2013 Framework) and related illustrative documents. COSO will continue to make available its original Framework during the transition period extending to December 15, 2014, after which time COSO will consider the original Framework to be superseded by the 2013 Framework. COSO's original Framework published in 1992 is recognized as the leading guidance for designing, implementing and conducting internal controls over external financial reporting and assessing its effectiveness. The 2013 Framework is expected to help organizations design and implement internal control in light of many changes in business and operating environments since the issuance of the original Framework, broaden the application of internal control in addressing operations and reporting objectives, and clarify the requirements for determining what constitutes effective internal control. We expect the adoption of the 2013 Framework will not have a significant impact on the Company.

PART II. OTHER INFORMATION
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Item 1. Legal Proceedings

See Note 17 of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this report. There have been no material changes to our legal proceedings from the information provided in Item 3. "Legal Proceedings" included in our Annual Report on Form 10-K for the year ended December 31, 2012.

We are party to various legal proceedings (including individual, class and putative class actions) arising in the normal course of our business covering a wide range of matters and types of claims including, but not limited to, general contracts, billing disputes, rights of access, taxes and surcharges, consumer protection, trademark and patent infringement, employment, regulatory, tort, claims of competitors and disputes with other carriers. Litigation is subject to uncertainty and the outcome of individual matters is not predictable. However, we believe that the ultimate resolution of all such matters, after considering insurance coverage or other indemnities to which we are entitled, will not have a material adverse effect on our financial position, results of operations, or our cash flows.

Item 1A. Risk Factors

There have been no changes to the Risk Factors described in Part 1 "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of equity securities during the quarter ended June 30, 2013.

PART II. OTHER INFORMATION
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

ISSUER PURCHASES OF EQUITY SECURITIES

| Period | Total Number of Shares Purchased | Average Price Paid per Share |
|--|--|---------------------------------|
| April 1, 2013 to April 30, 2013 Employee Transactions (1) | 12,079 | \$ 3.91 |
| May 1, 2013 to May 31, 2013 Employee Transactions (1) | 4,695 | \$ 4.13 |
| June 1, 2013 to June 30, 2013 Employee Transactions (1) | 15,474 | \$ 4.14 |
| Totals April 1, 2013 to June 30, 2013 Employee Transactions (1) | 32,248 | \$ 4.05 |

(1) Includes restricted shares withheld (under the terms of grants under employee stock compensation plans) to offset minimum tax withholding obligations that occur upon the vesting of restricted shares. The Company's stock compensation plans provide that the value of shares withheld shall be the average of the high and low price of the Company's common stock on the date the relevant transaction occurs.

Item 4. Mine Safety Disclosure

Not applicable.

PART II. OTHER INFORMATION
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Item 6. Exhibits

(a) Exhibits:

- 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.PRE XBRL Taxonomy Presentation Linkbase Document.
- 101.CAL XBRL Taxonomy Calculation Linkbase Document.
- 101.LAB XBRL Taxonomy Label Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

PART II. OTHER INFORMATION
FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

SIGNATURE

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

FRONTIER COMMUNICATIONS CORPORATION
(Registrant)

By: /s/ Susana D'Emic
Susana D'Emic
Senior Vice President and Controller

Date: August 8, 2013