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August 24, 2005

Chairman Ron Jones
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

05-00240

RE: Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company

Dear Chairman Jones:

Enclosed for filing please find one original and thirteen copies of Sprint Nextel Corporation's ("Sprint's") Application for Approval of the Transfer of Control of the above-referenced subsidiaries from Sprint to LTD Holding Company. Enclosed with the Application are the original and thirteen copies of the affidavits and supporting exhibits of Mr. Kent W. Dickerson, Mr. Kevin P. Collins, Mr. Thomas W. Sokol and Dr. John W. Mayo.

Also enclosed are the original and thirteen copies of Sprint's Motion for a Protective Order, attached non-disclosure agreements, and the proposed protective order. The proposed order is based in large part on the standard protective order used by the Authority. Since the protective order will not be issued until after the docketing of this matter, the affidavits and exhibits of Mr. Dickerson and Mr. Collins are filed in a version available for public disclosure. Once the Authority, or the appointed Hearing Officer, issues a protective order, Sprint will file the Highly Confidential versions of the these affidavits and exhibits with the Authority.

A check in the amount of $25.00 for the required filing fee is also enclosed. As always, please do not hesitate to contact me if you have questions or require additional information.

Sincerely yours,

Edward Phillips

Edward Phillips

HEP:sf
Enclosures

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In the Matter of:	)	
	)	
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. From Sprint Nextel Corporation to LTD Holding Company	)	Docket No. ________________

APPLICATION OF SPRINT NEXTEL CORPORATION
FOR APPROVAL OF TRANSFER OF CONTROL

Sprint Nextel Corporation ("Sprint") respectfully submits this Application requesting the approval of the Tennessee Regulatory Authority ("Authority") for the transfer of control of United Telephone-Southeast, Inc. ("UTSE"), Sprint Long Distance, Inc. ("LTD Long Distance") and Sprint Payphone Services, Inc. ("SPSI") from Sprint to LTD Holding Company. Sprint submits this Application in compliance with Tenn. Code Ann. § 65-4-113.

I. INTRODUCTION

1. Sprint plans to separate its wireline local service operation into an independent stand-alone operation. As part of that transaction, a new holding company, LTD Holding Company, has been created and control of the Sprint operating companies serving local customers will be transferred to that holding company.[1]

[1] In order to effectuate the separation, LTD Holding Company, a Delaware corporation, was created that will be the corporate parent of UTSE, LTD Long Distance and SPSI. The names of UTSE, LTD Long Distance and SPSI, or the names under which they do business, will change as LTD Holding Company separates from Sprint and chooses its new corporate name Once chosen, any state-required registrations, filings or notifications related to the name change will be provided.

2. In connection with this separation, Sprint requests that the Authority approve: (1) the change of control of UTSE from Sprint to LTD Holding Company; (2) the change of control of LTD Long Distance[2] from Sprint to LTD Holding Company; and (3) the change of control of SPSI from Sprint to LTD Holding Company.

3. As explained in detail below, this transaction is in the public interest and meets the criteria of Tenn. Code Ann. § 65-4-113. UTSE will continue to have the requisite managerial, technical and financial capability to provide service. Moreover, the separation of Sprint's incumbent local wireline operations from its parent company will produce benefits for UTSE's residential and business customers. The separation will be transparent to customers upon day one, with the opportunity for an even better experience in the future.

4. The telecommunications industry is undergoing unprecedented changes. Competitors within the industry are responding to advances in technology, evolving marketplace dynamics and recent regulatory changes with new business strategies. Within Sprint, the strategic focus of Sprint's local wireline companies is beginning to diverge from Sprint's increasingly wireless-centric national focus. The separation of Sprint's wireline local service operation into an independent, stand-alone corporation will serve to create a company whose primary strategic focus will be building upon its local wireline capabilities by providing a full portfolio of quality services to residential and business customers in its local territory. This independent company will be better able to meet the needs of its customers in Tennessee and its other local markets.

[2] As more fully described *infra,* LTD Long Distance was recently formed for the purpose of providing long distance service to customers of Sprint's ILEC operations, including the customers of UTSE, and it will be the long distance entity affiliated with LTD Holding Company.

II. THE PARTIES

5. Sprint is a publicly-traded Kansas corporation with executive headquarters at 2001 Edmund Halley Drive, Reston, Virginia 20191 and operational headquarters at 6200 Sprint Parkway, Overland Park, Kansas 66251. Sprint is a global communications company providing wireless, long distance, and local communications services. Sprint's incumbent local operating companies ("ILECs"), including UTSE, provide a full portfolio of communications services, including local, long distance, high-speed data, wireless and video. As of December 31, 2004, Sprint's ILEC operations served approximately 7.7 million local access lines in 18 states, including approximately 230,000 access lines in Tennessee.

6. On December 15, 2004, Sprint Corporation and Nextel Communications, Inc. ("Nextel") entered into a merger agreement pursuant to which, upon obtaining requisite Sprint and Nextel stockholder approval and satisfaction of the other conditions to the merger, Nextel will merge with and into a wholly owned subsidiary of Sprint. The conditions of the merger agreement have been satisfied, and the merger closed on August 12, 2005. The corporation's new name is "Sprint Nextel Corporation." In the merger agreement, Sprint Corporation and Nextel agreed to use their reasonable best efforts to separate the ILEC business of Sprint, by means of a tax-free spin-off, to the then existing stockholders of Sprint Nextel.

7. LTD Holding Company, a Delaware corporation, is a newly formed subsidiary of Sprint. Upon the separation, LTD Holding Company will realize control of UTSE, LTD Long Distance and SPSI along with Sprint's other ILEC operations. At that time, LTD Holding Company will operate independently from Sprint and will have its own management team and board of directors. It is expected that current Sprint board members Gerald L. Storch, Vice Chairman of Target Corporation, and Stephanie M. Shern, former Vice Chair of Ernst & Young,

LLP and former Senior Vice President of Kurt Salmon Associates, will serve on the board of directors of LTD Holding Company and will resign from the Sprint board of directors at that time. Other board members will be named later. Upon separation from Sprint, LTD Holding Company will be the largest independent local telephone company in the United States, with 2004 annual revenues exceeding $6 billion. Its corporate headquarters will be in the Kansas City metropolitan area.

8. UTSE is now a direct wholly owned subsidiary of Sprint. It was certificated by the Authority's predecessor, the Tennessee Public Service Commission, in Docket No. U-4887 on April 25, 1966. UTSE is a Virginia corporation with its headquarters in Overland Park, Kansas. As a result of the transaction, control of UTSE will be transferred from Sprint to LTD Holding Company.

9. LTD Long Distance is a Delaware corporation awaiting Authority approval of its application to provide resold long distance service filed in Docket No. 05-00229 on August 11, 2005. As a result of the transaction, control of LTD Long Distance will be transferred from Sprint to LTD Holding Company.

10. SPSI is a Florida corporation authorized by the Authority to provide payphone telephone services in Tennessee pursuant to the Authority's Order in Docket No. 98-00490, issued on August 18, 1998. As a result of the transaction, control of SPSI will be transferred from Sprint to LTD Holding Company.

11. The designated contacts for questions concerning this Application are:

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III. STANDARD OF REVIEW

12. Tenn. Code Ann. § 65-4- 113 grants the Tennessee Regulatory Authority the authority to approve a transfer of control of telecommunications facilities for the purpose of providing service to Tennessee customers. In making this determination, Tenn. Code Ann. § 65-4-113(b) requires that the Authority:

> . . . take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

The transfer of control of UTSE, LTD Long Distance, and SPSI to LTD Holding Company satisfies all applicable criteria. UTSE, LTD Long Distance, and SPSI will continue to have the technical, managerial, and financial capabilities to provide quality telecommunications services, and the transfer is in the public interest for the reasons set forth in this Application and the affidavits which accompany it.

IV. TRANSACTION AND NEW CORPORATE STRUCTURE

13. As a result of the transaction, the local wireline operations will become an independent entity from Sprint. In order to complete the separation, Sprint formed a new holding company, LTD Holding Company. The stock of UTSE (and other Sprint ILECs), LTD Long Distance, and SPSI will be contributed into LTD Holding Company as well as other assets and liabilities related to the local wireline telecommunications business.

14. UTSE will remain the regulated ILEC in Tennessee, but it will have a new corporate parent. Instead of its current parent, Sprint, the new corporate parent of UTSE will be LTD Holding Company. Likewise, LTD Long Distance and SPSI will not change or become new entities, but will have a new corporate parent, LTD Holding Company. Exhibit APP-1, attached hereto, shows the corporate structure of Sprint Corporation before its merger with Nextel, the corporate structure of Sprint after the merger of the two companies, and the corporate structure resulting from the creation of the independent LTD Holding Company.

15. As described above, UTSE, LTD Long Distance, and SPSI ultimately will be subsidiaries of a new parent holding company, LTD Holding Company. From an operational perspective, however, little will change. These entities will continue to be the entities operating in Tennessee, and they will continue to have the same technical, financial and managerial ability to provide reliable service as they do today.

16. LTD Holding Company will be managed by capable and experienced executives. Daniel R. Hesse has been named Chief Executive Officer of Sprint's Local Telecommunications division and will be the Chief Executive Officer of the LTD Holding Company. Mr. Hesse has extensive experience in the telecommunications industry, including 23 years at AT&T, where he served as President and Chief Executive Officer of AT&T Wireless Services from 1997-2000. Most recently, Mr. Hesse was Chairman, President and Chief Executive Officer of Terabeam Corporation, a Seattle-based telecommunications company. Michael B. Fuller has been named the Chief Operating Officer of LTD Holding Company. Mr. Fuller, currently President and Chief Operating Officer of Sprint's Local Telecommunications division, has had responsibility for leading Sprint's local telephone operations since 1996. Gene Betts, formerly Sprint Corporation's Senior Vice President and Treasurer, has been named Chief Financial Officer of LTD Holding Company. Tom Gerke, formerly Executive Vice President-General Counsel and External Affairs of Sprint Corporation, has been named General Counsel for LTD Holding Company. James A. Hansen has been named the senior officer to lead LTD Holding Company's Network and Customer Service Organization. For Mr. Hansen, this represents a continuation of his current responsibilities and focus on the network operations of Sprint's ILECs. Exhibit APP-2, attached hereto, shows organizational charts of LTD Holding Company, identifying the named senior management team.

The senior management team has an average tenure with Sprint or in the telecommunications industry of nearly 18 years, with approximately 170 years of combined Sprint experience.

17. Sprint Communications Company L.P. has been the long distance provider for UTSE's customers who selected Sprint as their long distance provider. Sprint Communications Company L.P. will remain a subsidiary of Sprint. LTD Long Distance was recently formed for the purpose of providing long distance service to customers of Sprint's ILEC operations, including the customers of UTSE, and it will be the long distance entity affiliated with LTD Holding Company.

18. LTD Long Distance is qualified to do business in the State of Tennessee, and it recently completed the necessary filings with the Authority to obtain regulatory authorization to operate as a long distance reseller in Tennessee. After receiving regulatory approval to operate, newly connected local customers of UTSE who choose Sprint for long distance service will receive their long distance service from LTD Long Distance. Upon completion of the separation, long distance customers of Sprint Communications Company L.P. in UTSE's franchise area will be served by LTD Long Distance, subject to applicable FCC and state approvals and after required customer notices.

19. LTD Long Distance and Sprint Communications Company L.P. are both interexchange carrier subsidiaries of Sprint. Upon separation, Sprint Communications Company L.P. will remain a subsidiary of Sprint. LTD Long Distance is a reseller of long distance services. LTD Long Distance will purchase wholesale long distance services from Sprint Communications Company L.P. After separation, LTD Long Distance will continue to provide resold long distance services to customers of UTSE as more fully described in the affidavit of Kent W. Dickerson. As previously noted, the name of LTD Long Distance will change as LTD Holding Company separates from Sprint and chooses its new corporate name. Sprint Communications Company L.P. will

continue to provide retail and wholesale services to customers throughout the nation, including in Tennessee.

V. UTSE, LTD LONG DISTANCE, AND SPSI REMAIN FULLY CAPABLE OF PROVIDING QUALITY SERVICE AND THE SEPARATION SATISFIES THE STATUTORY CRITERIA

A. UTSE, LTD LONG DISTANCE, AND SPSI WILL CONTINUE TO POSSESS THE REQUISITE TECHNICAL AND MANAGERIAL CAPABILITIES

1. The Separation will Not Affect the Certificated Entities' Technical Capabilities

20. The certificated entities will continue to have the same technical capabilities after the separation that they possess today. All equipment, buildings, systems, software licenses and other assets owned by UTSE will remain assets of UTSE.

21. Assets held by another Sprint entity and jointly used by UTSE and one or more other Sprint entities are being reviewed to determine which Sprint entity has the predominant use of this shared asset today and will continue to have a need for that asset in the future.[3] As a result of this process, some of these shared assets will be transferred to LTD Holding Company or one of its subsidiaries. Others will stay with Sprint and its subsidiaries, and, in that instance, LTD Holding Company, or its subsidiary, will decide whether to purchase or lease similar assets that best meet its future needs. Mr. Dickerson's affidavit describes the process in greater detail, but, generally, the decisions will be based on: a review of which business is the primary user of the asset; which entity maintains the asset and has the asset as part of its network; and the physical location of the asset. For example, pursuant to this process the Signaling System Seven (SS7) platform (used to provide

[3] These assets are generally grouped into network assets, information technology (IT) assets, and real estate Due to the number of shared assets and deliberateness of the review, the process is expected to be completed during the 4th quarter 2005

Local Number Portability (LNP) call routing information and capabilities) will move to LTD Holding Company.

22. During the period these shared assets are being reviewed and the necessary steps are being taken to implement the decisions, execute contracts, and make purchases, LTD Holding Company and its subsidiaries will continue to receive certain services from Sprint and its subsidiaries pursuant to Transition Services Agreements.[4] As a result, LTD Holding Company, together with UTSE, LTD Long Distance, and SPSI, will have all of the necessary network assets, and ordering, provisioning, billing, and customer care capabilities required to continue to provide high quality retail and wholesale services seamlessly after the separation.

23. Current agreements are being inventoried and reviewed to ensure that the agreements are appropriately transferred to LTD Holding Company.[5] In addition, LTD Long Distance is entering into a wholesale agreement with Sprint Communications Company L.P. to enable it to provide long distance services. This agreement will facilitate UTSE's offer of bundled local and long distance services to customers as it does today. LTD Long Distance also will enter into an arrangement with Sprint for the provision of wireless services to the customers of UTSE, enabling the continued offering of wireless services.

24. The separation will not alter existing relationships between UTSE and its bargaining unit employees and their representatives. UTSE will continue to honor existing collective bargaining agreements. The agreement in Tennessee will expire on August 31, 2005, prior to the completion of the separation. UTSE is seeking a new agreement covering its Tennessee bargaining

[4] Transition Services Agreements will ensure continuity of services as LTD Holding Company separates from Sprint. At or prior to the end of the transition period, LTD Holding Company will arrange for necessary assets through purchase, lease or other arrangements.

[5] For example, UTSE currently offers customers the opportunity to purchase a bundle of services, including satellite video services through a sales agency agreement with EchoStar. A review of the agreement is underway to ensure that appropriate steps are undertaken to enable the continued sale of satellite video services

units. Discussions have begun with the international representatives of the unions representing its bargaining units to provide periodic updates on the separation and to allow a forum for discussion of issues of mutual interest.

25. LTD Holding Company will maintain and evolve comprehensive compensation and benefit programs that allow the company to recruit and retain highly qualified and motivated employees. While the dynamics of the labor and benefits markets, irrespective of the separation, may necessitate changes to the company's compensation and benefit plans from year-to-year as has been the case in the past, the separation will not result in compensation and benefit changes that would hamper the company's ability to remain competitive in the market for employees.

2. The Certificated Entities will Continue to Possess the Requisite Managerial Capabilities

26. UTSE will continue to employ personnel experienced and dedicated to the provision of service in Tennessee. The customer service, network and operations functions that are critical to the company's success today will continue when the separation is complete, and the company will be staffed to ensure that continuity. The local operations of UTSE will continue to be managed by employees with established ties to the community and extensive knowledge of the local telephone business.

27. UTSE, LTD Long Distance and SPSI will continue to receive certain management services, but from a new management company subsidiary of LTD Holding Company[6] staffed by many of the same experienced and knowledgeable persons currently providing these services. In the past, these centralized functions included human resource services, finance services, tax services, communications services, legal services, planning services, general support services, and

[6] In order to provide the management services post-separation, LTD Management Company, a Delaware corporation, was created. LTD Management Company is currently a subsidiary of Sprint. Post-separation, it will be a subsidiary of LTD Holding Company.

information services, allowing the individual operating companies to benefit from the efficiencies enjoyed with centralized support services.[7] After the separation, UTSE, LTD Long Distance and SPSI will continue to receive similar management services from LTD Management Company, thereby continuing to enjoy efficiencies from centralized support services and the benefits of an experienced staff. These new affiliate arrangements will comply with appropriate federal and state affiliate pricing and filing requirements.

B. UTSE, LTD Long Distance, Inc. and SPSI will Continue to Possess the Required Financial Capabilities

28. Upon completion of the separation, UTSE will continue to be financially capable of fulfilling all of the requirements of a public utility in Tennessee. This capability will be unaffected by the change in its ultimate corporate parent. *See* Affidavit of Mr. Dickerson. Exhibit KWD-1 to Mr. Dickerson's Affidavit contains a statement of operations for UTSE for the twelve months ended December 31, 2004 based on a total company, ARMIS basis. Exhibit KWD-2 to the affidavit contains the December 31, 2004 balance sheet for UTSE based on a total company, ARMIS basis. Exhibit KWD-3 to the affidavit contains a statement of cash flows for UTSE for the twelve months ended December 31, 2004 based on total company, ARMIS results.

29. Historically the ILEC operations of Sprint have operated with significant independence from the operations of the other Sprint divisions. Sprint's ILEC operations have always maintained separate financial records for regulatory purposes as well as separate property records for assets used in the provision of service. Consequently, the financial changes associated with the separation of LTD Holding Company are limited to the parent company and common services provided by the management company, and will have minimal effect on UTSE.

[7] For the transition period, UTSE, LTD Long Distance and SPSI may continue to receive some of these centralized functions from Sprint as the new management company builds these capabilities Transition Services Agreements will ensure continuity of services as LTD Holding Company separates from Sprint

30. In addition, LTD Holding Company, which will among other things raise capital for UTSE, LTD Long Distance, and SPSI will possess the financial capability to assist them in providing quality services to their customers in Tennessee. Upon completion of the separation, LTD Holding Company will be a financially secure Fortune 500 company.[8] Its stock is expected to be traded on the New York Stock Exchange.[9] LTD Holding Company will be the largest independent local exchange carrier in the nation, with 2004 annual revenues exceeding $6 billion. It will have the ability to raise capital and invest in network, employees and systems to continue providing high quality service. Based upon its financial attributes, LTD Holding Company anticipates having financial characteristics consistent with those of companies that have been rated "investment grade" by major ratings agencies. In pursuit of that objective, Sprint has obtained indicative ratings for LTD Holding Company from major ratings agencies. Based upon the proven record of financial performance of Sprint's ILEC operations, it is expected that LTD Holding Company will both generate ample cash flow and pay a dividend that is attractive to investors. All of these characteristics help to ensure that LTD Holding Company will have the fiscal stability to position itself and pursue strategies necessary to assist UTSE, LTD Long Distance and SPSI to succeed in a competitive environment.

31. Mr. Dickerson explains in his affidavit that LTD Holding Company will have solid financial capabilities upon its creation as an independent entity apart from Sprint. Exhibit KWD-4 to the affidavit contains an adjusted historical consolidated statement of operations for LTD Holding Company and its subsidiaries for the twelve-months ended December 31, 2004, including

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[8] Had it operated on a standalone basis in 2004, the revenues of LTD Holding Company would place it at approximately 335 on the Fortune 500 List.

[9] The New York Stock Exchange ("NYSE") rules require compliance with various financial metrics to obtain listing on the exchange and also to maintain that listing. The CEO of a NYSE listed company must annually certify compliance with the broad corporate governance rules adopted by the NYSE. Those rules, among other things, require a majority of independent directors, audit committee composition and governance standards, and adoption and disclosure of corporate governance guidelines and a code of business conduct and ethics

adjustments presented as if the separation occurred on January 1, 2004. Exhibit KWD-5 to Mr. Dickerson's affidavit contains a December 31, 2004, adjusted historical condensed consolidated balance sheet for LTD Holding Company and its subsidiaries, including adjustments presented as if the separation occurred on January 1, 2004. Exhibit KWD-6 to Mr. Dickerson's affidavit contains an adjusted historical consolidated statement of cash flows for LTD Holding Company and its subsidiaries including adjustments presented as if the separation occurred on January 1, 2004.

32. An ideal capital structure for LTD Holding Company is a mix of debt and equity that balances financial risk with business risk while maintaining an appropriate cost of capital, thereby maximizing the value of the firm. The right mix of debt and equity should contain sufficient leverage to produce specific benefits for the company: lowering the company's overall cost of capital and providing tax benefits that have a positive impact on the company's cash flow. Insufficient leverage precludes a company from enjoying these benefits, just as excessive amounts of equity capital can burden a company in terms of dividend obligations. The capital structure and proposed dividend policy for LTD Holding Company are reasonable relative to the individual characteristics of LTD Holding Company, including its size, markets served, industry position, operating income and cash flow. The level of debt and equity is such that LTD Holding Company will exhibit the characteristics of other companies that obtain investment grade debt ratings.

33. The affidavit of Mr. Kevin P. Collins demonstrates that LTD Holding Company, with its capital structure and dividend policy, will have the financial capability to invest in the networks, systems, and employees needed to provide services. The financial analysis of Houlihan Lokey estimates a market value on the assets of LTD Holding Company relative to the valuations of companies in its peer group, thereby supporting the conclusion that the intended capital structure of LTD Holding Company is reasonable relative to the individual characteristics of LTD Holding

Company. The affidavit also concludes that the intended capital structure will ensure the company's ability to attract investor capital and future financing.

VI. THE ESTABLISHMENT OF SPRINT'S WIRELINE LOCAL SERVICE OPERATIONS AS AN INDEPENDENT BUSINESS IS IN THE PUBLIC INTEREST

34. UTSE, LTD Long Distance, Inc., and SPSI operate in an industry that has been and continues to be subject to technological advances, evolving consumer preferences, and dynamic change. These factors, combined with recent regulatory developments, result in a market environment in which it is likely that the interest of Sprint's local wireline operations will begin to diverge from Sprint's increasingly wireless-centric focus. The establishment of Sprint's wireline local service operations as an independent, stand-alone corporation will serve the public interest by creating a company whose primary strategic focus will be building upon its local wireline capabilities by providing a full portfolio of quality services to residential and business customers in its local franchised territory. This separation establishes a heightened level of clarity in terms of the company's vision and purpose; a level of clarity that has the beneficial effect of better aligning the interests of the company with the interests of its customers. The company's focus will allow a stronger local emphasis and permit it to provide services tailored to the needs of its local customers. Simply put, the separation produces:

- Clarity of Vision: The company seeks to be the preferred hometown communications company. The company's single-minded focus will be on its local markets, first and foremost—not as a communications carrier that is part of a national wireless or national long distance carrier.
- Clarity of Purpose: The company will emphasize meeting local customer needs and meeting local market demands. Success as the preferred hometown communications carrier requires a single-minded emphasis on meeting the needs of the local customer: delivering a full portfolio of services that meet the targeted customers' needs. Local market responsiveness is essential for success.
- Clear Alignment of Interests: Both customers and the company benefit from the single-minded focus on the local market and enhanced competition fostered by the separation.

Customers benefit from the increased focus on their needs and the company benefits from retaining and attracting those customers whose needs are satisfied by the company's offerings, service quality, and customer care.

- Transparency to Customers: The separation transition will be virtually transparent to the customer's experience. The company will ensure that service quality and the customer experience remain high priorities. The customers in LTD Holding Company's local operations will experience business as usual, only better, as the company's clarity of vision and purpose enhances service delivery, product development, and customer interaction.

A. Clarity of Vision: Being the Preferred Hometown Communications Company

35. At the end of the first quarter, 2005, Sprint served nearly three times as many wireless customers, directly and through affiliates, as it does local wireline customers. With the completion of the merger, Sprint now serves five times as many wireless customers as wireline customers. Given the predominance of wireless customers, Sprint will naturally place greater emphasis on its nationwide business built around wireless services and its nationwide fiber optic and global IP network. The separation of Sprint's ILEC operations will allow its local customers to be served by a company whose primary strategic interests are the specific local franchised areas in which it operates as the local telecommunications company. The result: a company that seeks to be the preferred hometown communications company with a single-minded focus on its local markets.

36. Sprint has a rich history of providing telecommunications services to local communities that dates back over a hundred years. Establishing the ILEC operations as a separate company will provide UTSE the opportunity to strengthen further its local community roots and build on that foundation as it continues to meet the communications needs of customers. UTSE's primary role will be as a communications provider anchored by wireline service in its existing territory, rather than as a subset of a nationwide, predominantly wireless, company. The impact of this locally focused strategy is significant, and will be visible on many levels, as more fully explained in the attached affidavits of Thomas W. Sokol, State Executive - Tennessee and

Virginia, and Dr. John Mayo, Professor of Economics, Business and Public Policy at Georgetown University.

B. Clarity of Purpose: Delivering a Full Portfolio of Services that Meet the Local Customer Needs

37. Success as the preferred hometown communications carrier requires a single-minded emphasis on delivering a full portfolio of services that meet the demands of UTSE customers. With this more targeted local focus, it can enhance its local presence to be more responsive in service delivery, product development and customer interaction than a national wireless company[10]—targeting broader and different markets—would be. In this new role, it will be better positioned to respond to its customers' needs, and to serve those needs by tailoring products specifically to its local customer base. For example, in recent years, many of Sprint's wireline and wireless business and residential offerings have concentrated on product bundles that target national urban markets. Since many of LTD Holding Company's local customers live in more rural regions, their needs are sometimes different from the needs of Sprint's nationwide customer base. By establishing LTD Holding Company's operations as a separate, stand-alone entity, this new company will have more options to create a variety of products designed to better reflect the preferences of UTSE's local customers. For example, LTD Holding Company is considering offering wireless plans with fewer minutes that complement wireline service rather than replace it as an offering that may be more attractive to its customers. LTD Holding Company will have the ability and incentive to address this need.

[10] Sprint will be the leading independent wireless carrier with a nationwide fiber optic and global IP network that will offer nationwide broadband wireless and integrated communications services to customers—a focus much different from the more targeted local focus of UTSE

C. Clear Alignment of Customer and Company Interests: Enhancing the Competitive Environment

38. Establishing Sprint's ILEC operations as a stand-alone corporation provides the company with greater opportunity to compete effectively to retain and grow its customer base, a complete independence the company would not have as part of a larger corporation with a predominantly wireless and national focus. As a result, customers benefit. They benefit from the company's single-minded focus on the local market and its local customers' communications requirements, and the company benefits from retaining and attracting customers whose needs are satisfied by the company's offerings, service quality, and customer care.

39. The separation will allow LTD Holding Company to be a more effective competitor in three distinct ways. First, the separation of the ILEC business will eliminate any emerging tension between Sprint's anticipated national wireless strategy and LTD Holding Company's local wireline strategy. Sprint has stated publicly that it expects to pursue an aggressive strategy of serving as a wireless alternative to wireline service and to advance competition by, for example, enabling cable companies' voice offerings or using other technologies. Simply stated, Sprint's evolving goal of replacing existing local wireline service is inconsistent with LTD Holding Company's goal of building on its local wireline capabilities. Second, the separation will increase the speed of decision-making and will allow for greater flexibility in creating bundles and expanding the product portfolio in specific markets to defend against competitive erosion. As a focused company with fewer competing demands in product development, LTD Holding Company will be able to bring new products to market more rapidly, and to quickly respond to new offerings from alternate providers. For example, responsibility for responding to the needs of business customers is being shifted from an organization with a national focus to an organization targeted to the businesses located in the ILEC's service territory. This will enable the company to meet the

local business customer's needs better than it could through a nationally focused, larger-scale organization. Third, as described above, operating independently will allow the company to focus on the development of products targeted to its customers in its local serving area. In his affidavit, Mr. Sokol explains that geographically focused, cross-functional teams will be formed to better respond to local market demands.

40. Separation of Sprint's ILEC operations will also allow Sprint to compete more vigorously in the local market as an alternative full-service provider. Sprint will benefit from increased freedom and flexibility to pursue bundling and partnership opportunities that use its wireless and nationwide fiber optic and global IP networks, offering an alternative to the ILEC. This opportunity to increase competition in the wireline market (including RBOC markets) is critical in light of recent regulatory rulings that have led to an increased emphasis on intermodal and facilities-based competition, rather than competition reliant upon the use of the incumbent's network.[11]

D. Transparency To Customers

41. Ensuring the continuation of high quality service and customer experience during the transition to an independent company is vitally important. UTSE understands that continuing to meet the customer's needs is its top priority. To that end, on the day after the separation, UTSE will offer the same full range of products and services that it offered the day prior to separation, at the same prices, and under the same terms and conditions. Currently, UTSE offers bundles of local calling and custom calling features combined with high-speed data capabilities, long distance service, wireless services, or satellite video services via sales of its own services or its own services combined with the services of another provider sold via a sales agency arrangement. These

[11] See, e.g., *In the Matter of Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligation of Incumbent Local Exchange Carriers.* WC Docket No. 04-313 and CC Docket No 01-338, *Order on Remand*, FCC 04-290 (released February 4, 2005).

bundled offerings were designed to meet the customer demand for a true "one stop shop" for communications needs. As described above, UTSE and LTD Long Distance will enter into the necessary long distance and wireless arrangements to allow them to facilitate UTSE's continued offering of these bundled services.

42. Equally important, the customer interface will not change. As Mr. Sokol discusses in his affidavit, customers will continue to call existing numbers to obtain new services, to report service problems, and to address billing or other customer care issues. Employees of Sprint's ILEC operations (including UTSE) will continue to be focused on the local operations of the stand-alone entity (and without the distractions from a nationally-focused wireless parent) and local affairs will continue to be managed by men and women with established local connections and extensive knowledge of the local telephone business. UTSE's ongoing role in the local community will continue to be important. Furthermore, the senior executive team of LTD Holding Company and UTSE is made up of many of the same executives who have guided Sprint's local operations in the past. Their experience and expertise, combined with new flexibility to pursue strategic goals, ensures that service quality and standards will remain at the highest levels.

43. UTSE will continue to provide local exchange service, and to offer long distance service, subject to the same rules, regulations and applicable tariffs. UTSE will remain subject to its existing price regulation plan, service quality obligations, and tariffs,[12] as modified by any future Authority decisions. Future end user rate changes will continue to be governed by the same rules and procedures as today, again, as modified by future Authority decisions. Likewise, the terms and prices for existing wholesale services under UTSE's access tariffs will be unchanged as a result of this transaction. Moreover, this transaction will have no impact on the terms of any existing

[12] As the name of the company changes, when necessary a filing will be made to change the name on the tariff

interconnection agreements or UTSE's obligations under state and federal laws regarding interconnection.[13]

44. The public interest consequently will be served by the separation, allowing increased focus and attention to customers in Tennessee.

WHEREFORE, for the foregoing reasons, Sprint has demonstrated that the transfer of control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. to LTD Holding Company satisfies Tenn. Code Ann. § 65-4-113 as the transfer of control of telecommunications facilities of United Telephone-Southeast, Inc., Sprint Long Distance, Inc., and Sprint Payphone Services, Inc., to LTD Holding Company is in the public interest. Furthermore, United Telephone-Southeast, Inc., Sprint Long Distance, Inc., and Sprint Payphone Services, Inc., will continue to have the technical, managerial, and financial capabilities to provide quality communications services. Consequently, Sprint requests approval of the transaction as described above including: (1) the change of control of United Telephone-Southeast, Inc. from Sprint to LTD Holding Company; (2) the change of control of Sprint Long Distance, Inc. from Sprint to LTD Holding Company; and (3) the change of control of Sprint Payphone Services, Inc. from Sprint to LTD Holding Company.

Respectfully submitted this 24th day of August, 2005.

Edward Phillips

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[13]In fact, UTSE continues to offer UNE-P replacement contracts to CLECs for the continued availability of a UNE-P-type offering at market based rates.

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Attorneys for:

Sprint Nextel Corporation, United Telephone-Southeast, Inc., Sprint Long Distance, Inc., and Sprint Payphone Services, Inc.

VERIFICATION

I, Richard C. Eckhart, hereby declare that I am a Vice President, State Regulatory of Sprint Nextel Corporation; that I make this Verification for and on behalf of said Applicant and am authorized to do so, that I have read the foregoing Application, and that the facts stated therein are true and correct to the best of my knowledge and belief.

NOTARY PUBLIC - State of Kansas
SUSAN SKAHAN
My Appt. Exp. 3/24/09

RC Eckhart

Richard C. Eckhart,
Vice President, State Regulatory – Sprint Nextel Corporation

SWORN AND SUBSCRIBED before me this 16th day of August, 2005, at Overland Park, Kansas.

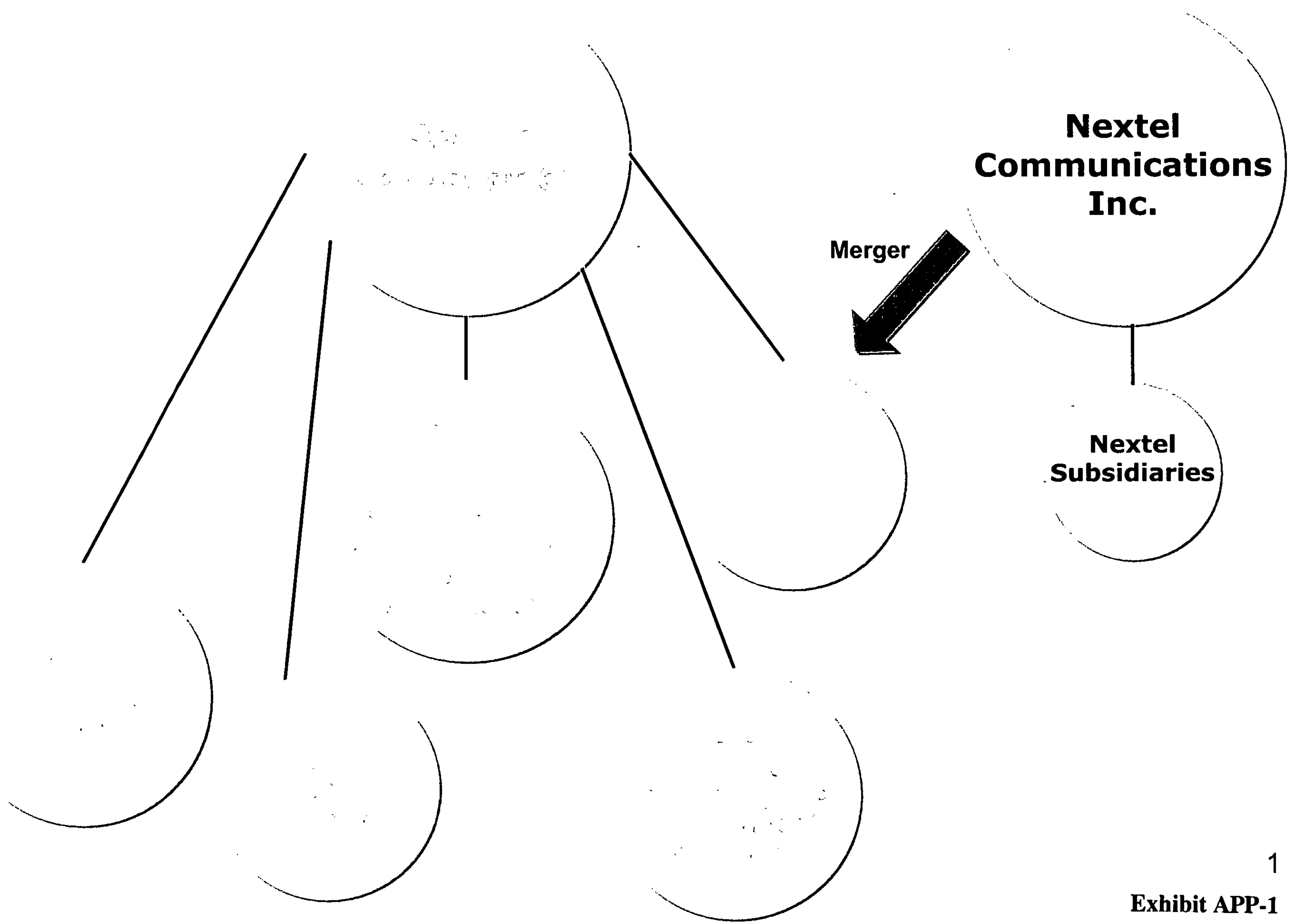
Susan Skahan
Notary Public

My Commission Expires: March 24, 2009

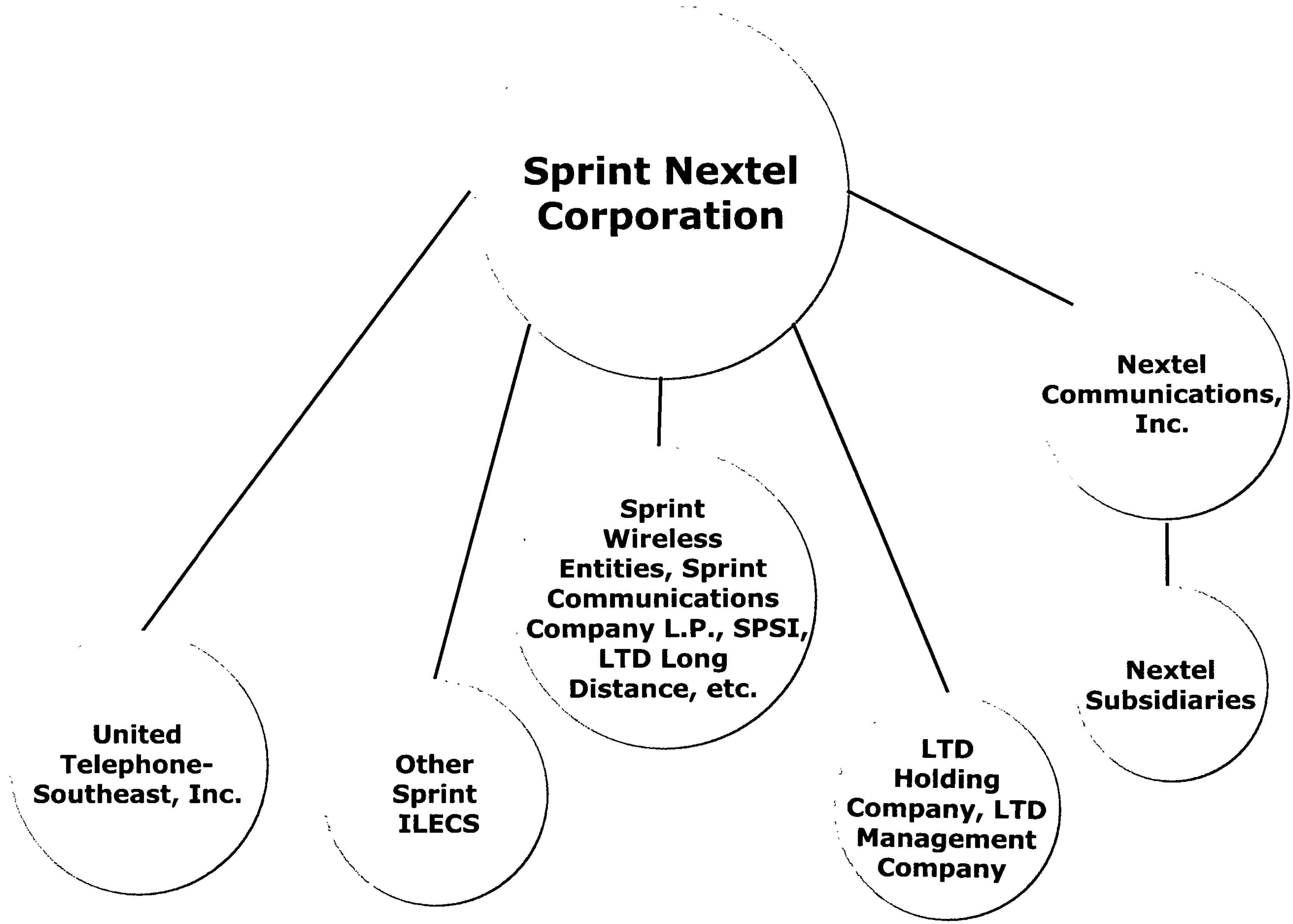
EXHIBIT APP-1

Corporate Structures

Sprint and Nextel - Pre-Merger



Sprint Nextel – Post Merger



LTD Holding Company Separation from Sprint Nextel

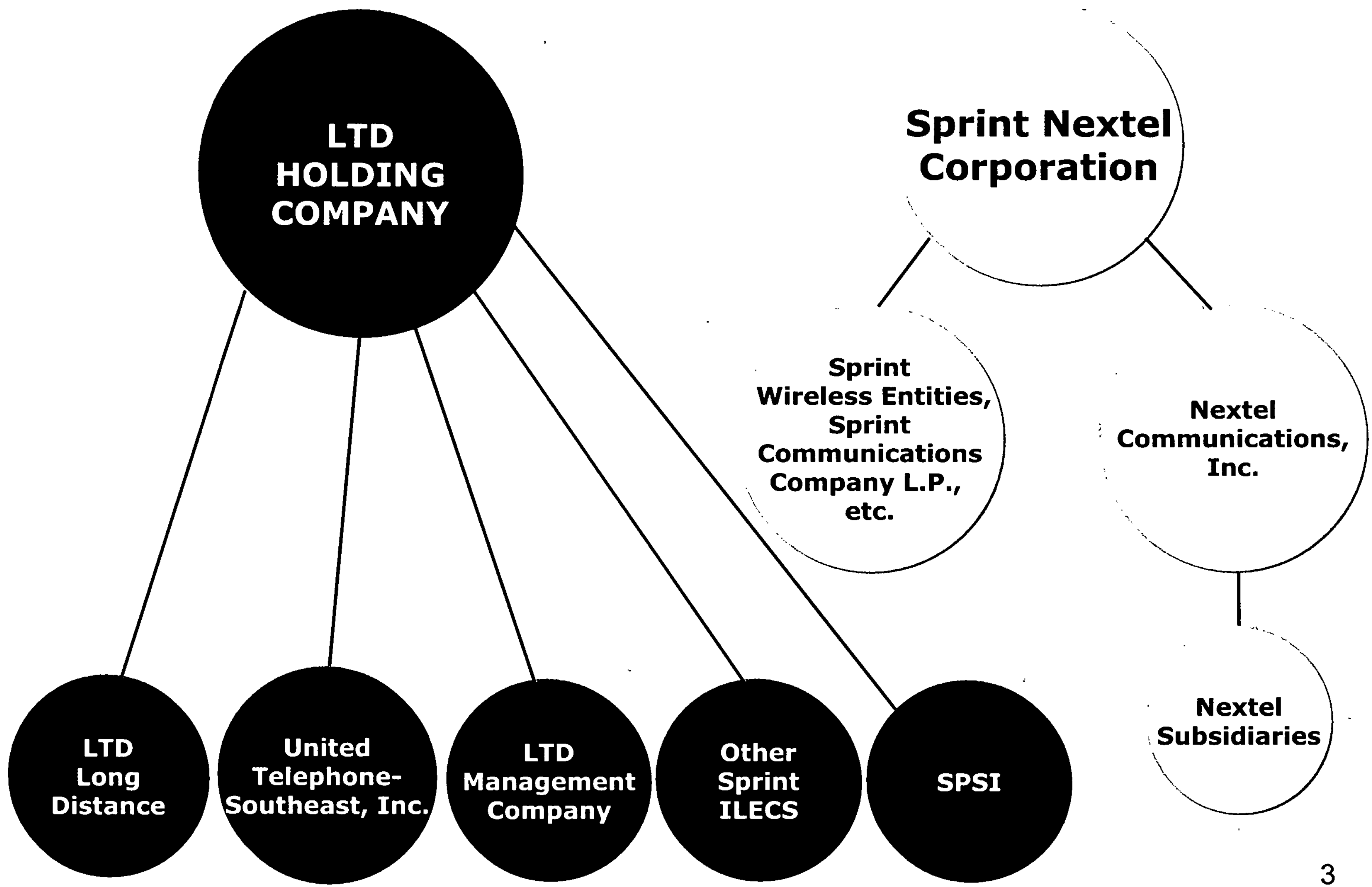
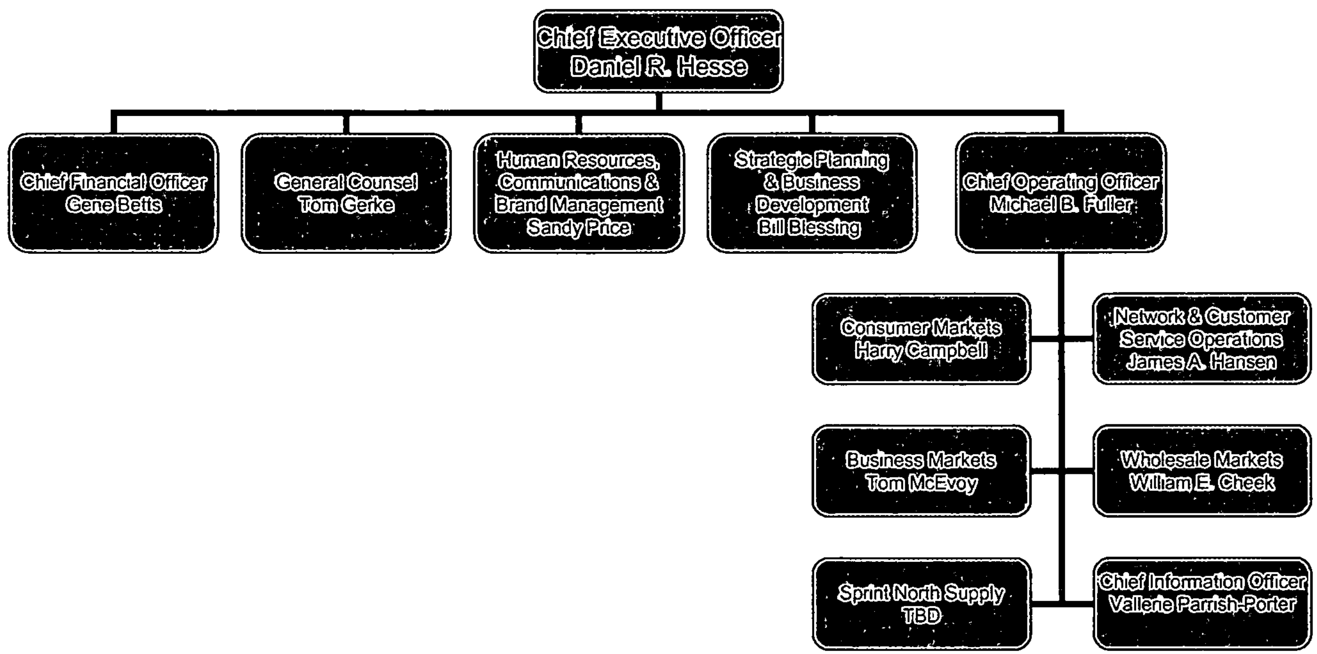


EXHIBIT APP-2

LTD Holding Company Organizational Chart

LTD Holding Company Organizational Structure



PUBLIC VERSION

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In the Matter of:	)	
	)	
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. From Sprint Corporation to LTD Holding Company	)	Docket No. ________________

AFFIDAVIT OF KENT W. DICKERSON IN SUPPORT OF THE APPLICATION OF SPRINT NEXTEL CORPORATION FOR APPROVAL OF TRANSFER OF CONTROL

Kent W. Dickerson, first being duly sworn, states as follows:

I. INTRODUCTION

1 My name is Kent W. Dickerson. My business address is 6450 Sprint Parkway, Overland Park, KS 66251. I am employed as Director - Cost Support for Sprint Nextel Corporation ("Sprint").

2. I received a Bachelor of Science degree from the University of Missouri - Kansas City in 1981 with a major in Accounting. In 1984, I passed the national exam and am a Certified Public Accountant in the State of Missouri.

3. From 1981 to 1983, I was employed as a Corporate Income Tax Auditor II for the Missouri Department of Revenue. From 1983 to 1985, I worked for Kansas Power and Light (now Western Resources) in the Tax and Internal Audit areas. I joined United Telephone Midwest Group, a Sprint subsidiary, in September, 1985 as a Staff Accountant in the Carrier Access Billing area. Thereafter, I moved through a progression of positions within the Toll Administration and General Accounting areas of the Finance Department.

4. In 1987, I was promoted into the Carrier and Regulatory Services group as a Separations/ Settlement Administrator performing Federal and Intrastate access/toll pool settlement, reporting and revenue budgeting functions. I was promoted to Manager - Pricing in June, 1989 where I performed FCC regulatory reporting and filing functions related to the United Telephone - Midwest Group Interstate Access revenue streams. In 1991, I was promoted to Senior Manager - Revenue Planning for United Telephone - Midwest Group. While serving in this position, my responsibilities consisted of numerous FCC regulatory reporting and costing functions In 1994, I accepted a position within the Intrastate Regulatory operations of Sprint/United Telephone Company of Missouri where my responsibilities included regulatory compliance, tariff filings, and earnings analysis for the Missouri company's intrastate operations.

5. Since December 1994, I have set-up and directed a work group which performs cost of service studies for retail services, wholesale unbundled network elements

cost studies, and state and federal Universal Service Fund cost studies. My work includes developing and implementing cost study methods which conform with Total Service Long Run Incremental Cost ("TSLRIC") and Total Element Long Run Incremental Cost ("TELRIC") methodologies. I am responsible for written and oral testimony, serving on industry work groups, and participating in technical conferences related to TSLRIC/TELRIC costing methodology, filing of studies within the 18 states that comprise Sprint's Local Telephone Division ("LTD") and providing cost expertise to Sprint's participation in regulatory cost dockets outside of the LTD territories.

6. I have testified before the North Carolina, Florida, Nevada, Texas, Kansas, Missouri, Georgia, and Wyoming regulatory commissions regarding TSLRIC/TELRIC cost matters.

7. The purpose of my affidavit is to support the Application of Sprint Nextel Corporation for Approval of the Transfer of Control ("Application") of United Telephone-Southeast, Inc. ("UTSE"), Sprint Long Distance, Inc. ("LTD Long Distance") and Sprint Payphone Services, Inc. ("SPSI") to LTD Holding Company. I explain the strong financial capabilities of UTSE and the newly created LTD Holding Company as referenced in the Application. Further, I show that, upon completion of the separation of LTD Holding Company and the transfer of control, UTSE will be fiscally unaffected by the change in its parent company. It will continue to possess the financial capability to invest in its network and employees and to generate a sufficient level of cash to pay

expenses and a dividend to its shareholder. Thus, UTSE will be in a position to continue to provide quality services to customers.

8. In conjunction with the affidavit of Mr. Kevin P. Collins, I show that the newly formed LTD Holding Company will also be financially secure. Specifically, LTD Holding Company will have the necessary financial resources to raise capital, invest in networks, employees, and systems, and generate sufficient cash to pay all expenses, service debt and pay a dividend to shareholders. My affidavit, combined with the affidavit of Mr. Collins, collectively demonstrate that the new LTD Holding Company, upon separation, will have solid financial capabilities as a financially secure Fortune 500 company. These attributes will help ensure that UTSE and LTD Holding Company will have the fiscal stability and flexibility necessary to well position themselves competitively and to pursue strategies necessary to succeed.

9. Attached to my affidavit are seven exhibits which are incorporated herein by reference. They are as follows:

A Exhibit KWD-1 - Statement of Operations for the 12 months ended 12/31/04 for UTSE;

B. Exhibit KWD-2 - Balance Sheet at 12/31/04 for UTSE;

C. Exhibit KWD-3 - Statement of Cash Flows for 12 months ended 12/31/04 for UTSE;

D. Exhibit KWD-4 - Adjusted Historical Consolidated Statement of Operations for 12 months ended 12/31/04 for LTD Holding Company;

E. Exhibit KWD-5 - Adjusted Historical Condensed Consolidated Balance Sheet at 12/31/04 for LTD Holding Company;

F Exhibit KWD-6 - Adjusted Historical Consolidated Statement of Cash Flows for 12 months ended 12/31/04 for LTD Holding Company; and

G. Exhibit KWD-7 - Adjustment No. 1, Capital Structure.

Financial Capability of UTSE

10. Exhibits KWD-1 through KWD-3 provide basic financial statements and illustrate the financial condition of UTSE for the twelve months ended December 31, 2004, the most recent annual period for which data is available. The financial statements have been prepared and presented on a total company basis consistent with the FCC's Automated Reporting Management Information System ("ARMIS") reporting requirements. The ARMIS reports show the historically recorded data from the books and records of UTSE, which are maintained in accordance with the FCC's Uniform System of Accounts, 47 C.F.R. Part 32 ("Part 32"). These financial statements clearly show that UTSE was financially capable for 2004.

11. As illustrated in the 2004 financial statements, UTSE had total assets with a book value of $413 million and produced operating income of $57 million, $37 million from its Tennessee operations. UTSE also generated cash from operating

activities of $63 million, while investing $39 million in capital expenditures and paying dividends of $25 million. Clearly, UTSE generated sufficient cash to cover all operating expenses, invested in its network and was able to provide quality service to customers. In addition, it had money left over to pay a dividend to its shareholder All of these results demonstrate that UTSE has been operating as a financially capable company.

12. UTSE will continue to operate as a financially capable company after the separation. UTSE's telecommunications operations have historically operated with significant independence from the operations of other Sprint divisions. As explained in the affidavit of Mr. Thomas W. Sokol, these operations will remain essentially unaffected by the separation. This is primarily because, after the separation, the vast majority of the assets, liabilities, revenues and expenses will remain the same, and UTSE will continue to operate as an independent entity. Thus, financial results for UTSE will not be significantly affected.

13. There will be no changes to accounting for financial transactions for UTSE as a result of the separation. The accounting for the separation will occur at the LTD Holding Company level only Ownership in the stock of UTSE will simply transfer from Sprint's balance sheet to LTD Holding Company's balance sheet. Thus, accounting for all day-to-day financial transactions within UTSE will remain essentially the same as before the separation. UTSE will continue to use Part 32

to account for its assets, liabilities, revenues and expenses in the same manner it does today.

14. There will be no significant impacts as a result of changes in the centralized services provided to UTSE by the new management company. UTSE currently receives certain centralized services from a management subsidiary of Sprint. These include human resources, finance, tax, communications, legal, planning, general support and information services. After separation, UTSE will continue to receive similar management services from a new affiliated management company of LTD Holding Company. Any expense impacts as a result of the transition from the former management company to the new one will be minimal. Initially, operating expenses may increase as much as **[Begin Highly Confidential]** **[End Highly Confidential]**, an amount which is not significant to either UTSE or LTD Holding Company. Further, consistent with the manner in which Sprint has managed its operating expenses over the last several years, LTD Holding Company will either manage these costs such that any incremental increase is eliminated over time or offset them by reducing other costs.

15 The 2004 financial statements demonstrate that UTSE has been a financially solid company. Because there will be no significant change to UTSE's operations and financial status as a result of the separation, UTSE will continue to have the financial capability to invest in its network, generate sufficient cash to pay all expenses and pay a dividend to its shareholder. Thus, post-separation, it

will possess all of the attributes of financial capability it has enjoyed historically. As a result, UTSE will continue to be financially capable.

Financial Capability of LTD Holding Company

16. LTD Holding Company, a Delaware corporation, is a newly-formed subsidiary of Sprint and will be the ultimate parent of UTSE. Upon separation, LTD Holding Company will be the largest independent local telephone company in the United States with 2004 annual revenues exceeding $6 billion. This level of revenue places LTD Holding Company at approximately 335 on the Fortune 500 list. As a Fortune 500 company, LTD Holding Company's stock is expected to be traded on the New York Stock Exchange. Based on its financial attributes, and as further addressed in Mr. Collins's affidavit, LTD Holding Company anticipates a level of debt consistent with companies that have been rated "investment grade." Mr. Collins concludes that, all in all, LTD Holding Company will have the ability to raise capital and invest in networks, employees and systems, all of which will ensure that LTD Holding Company's local telephone operating entities such as UTSE will continue providing high quality service. He further states that LTD Holding Company will be attractive to investors because it will generate sufficient cash flow and will pay a reasonable dividend. Even after taking into consideration the readily identifiable financial effects of separation that will have lasting impacts, as I describe below, LTD Holding Company will maintain solid fiscal capabilities which will enable it and its subsidiaries to effectively position themselves and pursue strategies necessary to achieve financial success.

17 There are three areas of readily identifiable and lasting impacts on LTD Holding Company that will result directly from the separation. Please refer to Adjustment Nos. 1 through 3 shown on Exhibits KWD-4 through KWD-6 which illustrate in a summary and numerical form the impacts the separation will have on the financial condition of LTD Holding Company, assuming the separation of the local telephone operations had occurred as of January 1, 2004. These three adjustments are entitled "Capital Structure," "Dividend Policy" and "Long Distance," respectively. Later in my affidavit, I will discuss each of the adjustments.

18 The separation was assumed to occur as of January 1, 2004 to provide an opportunity to review the separation's financial impact on a full year's worth of operations, and 2004 was the most recent full year for which data was available. By overlaying adjustments from the separation on top of the otherwise static 2004 actual financial results for LTD Holding Company, the financial impacts of the separation can be isolated and evaluated.

19 Before explaining the areas of adjustment, I will summarize the financial statements of LTD Holding Company included in Exhibits KWD-4 through KWD-6, in which the adjustments appear. Exhibits KWD-4 through KWD-6 begin by providing the unadjusted consolidated financial statements of LTD Holding Company for the twelve months ended December 31, 2004. This information is

contained in the "Historical LTD Holding Company" column. This starting point illustrates the solid financial condition and capability of LTD Holding Company as if it existed and was reported separately from its parent company, Sprint, during that period. For 2004, the financial results of LTD Holding Company show that it generated enough cash to pay all operating expenses, invested **[Begin Highly Confidential]** **[End Highly Confidential]** into its network and serviced its debt, leaving funds available to pay an **[Begin Highly Confidential]** **[End Highly Confidential]** dividend to its shareholder. Next, the starting point was adjusted to take into consideration each of the three adjustments I mentioned previously to reflect the immediate and material financial impacts of the separation transaction. The sum of the starting point and all three adjustments equal the final column labeled "Adjusted Historical LTD Holding Company." This column reflects the financial condition of LTD Holding Company for 2004, including the financial impacts as a result of the separation, as if the separation transaction occurred on January 1, 2004.

20. In summary, Adjustments Nos. 1 through 3 reflect, respectively, the impact to LTD Holding Company's financial statements from 1) use of debt to meet a target capital structure; 2) increased cash flow due to the new dividend policy; and 3) additional operating income from providing long distance service. These adjustments are described in more detail below. The impact from Adjustment Nos. 1 through 3 to the Adjusted Historical Consolidated Statement of Operations for LTD Holding Company in Exhibit KWD-4 is an overall increase in revenue of

[Begin Highly Confidential] **[End Highly Confidential]**, an increase in operating expense of **[Begin Highly Confidential]** **[End Highly Confidential]**, an increase in interest and tax expense of **[Begin Highly Confidential]** **[End Highly Confidential]**, and a decrease in net income of **[Begin Highly Confidential]** **[End Highly Confidential]**. The impact from Adjustment Nos. 1 through 3 to the Adjusted Historical Condensed Consolidated Balance Sheet reflects an increase in assets of **[Begin Highly Confidential]** **[End Highly Confidential]**, which is matched by an identical increase in liabilities and shareholders' equity. Finally and importantly, the impact of Adjustment Nos. 1 through 3 to the Adjusted Historical Consolidated Statement of Cash Flows is an increase in cash of **[Begin Highly Confidential]** **[End Highly Confidential]**.

21. Adjustment No. 1 titled "Capital Structure" reflects the financial impact resulting from the issuance of unsecured debt in the amount of approximately **[Begin Highly Confidential]** **[End Highly Confidential]** and retirement of long-term intercompany debt of **[Begin Highly Confidential]** **[End Highly Confidential]** by LTD Holding Company. The debt issuance is part of the process of establishing an appropriate overall capital structure determined by Sprint's Treasury Department. LTD Holding Company's capital structure is intended to represent an efficient use of investor capital by balancing the overall cost of capital with the need to maintain ample financial flexibility. This capital structure and its intended objectives is supported by the analysis and affidavit of

Mr. Collins who concludes that the capital structure is reasonable and appropriate for the type of business in which LTD Holding Company is engaged and is adequate for purposes of servicing debt, reinvesting in its business, maintaining access to capital markets, and paying dividends in accordance with its dividend policy.

22 The overall weighted interest rate of LTD Holding Company's debt will be approximately **[Begin Highly Confidential]** **[End Highly Confidential]**. The ultimate overall weighted interest rate will depend on prevailing market conditions at the time of issuance.

23. Due to the issuance of debt, LTD Holding Company will incur interest expense of **[Begin Highly Confidential]** **[End Highly Confidential]** which, when reduced by a **[Begin Highly Confidential]** **[End Highly Confidential]** tax benefit, produces a net impact of **[Begin Highly Confidential]** **[End Highly Confidential]** as shown in Exhibit KWD-7. This increased interest expense will be more than offset by the additional cash flow resulting from LTD Holding Company's new dividend plan. This offset is explained later in my affidavit.

24. The issuance of debt impacts capital structure because capital structure is the proportion of debt and equity a company uses to finance its assets. The greater

the level of debt a company uses to finance its assets, the more leveraged a company is in terms of its capital structure.

25. There are benefits to maintaining a certain amount of leverage in a capital structure because, all else held equal, a higher use of leverage (the amount of debt used to finance assets) causes a downward effect on a company's overall weighted average cost of capital when compared to a capital structure with a lower level of debt. As a result of higher leverage, under certain circumstances, a company can benefit from a higher level of cash flow.

26. The use of debt lowers a company's overall weighted average cost of capital and provides the opportunity for increasing cash flow for several reasons. Financing a company through debt is cheaper than using equity. Lenders require a lower rate of return than shareholders require because, all else held equal, debt securities present a lower risk than equity securities due to lenders' preferential claims on annual income and liquidation proceeds. Additionally, companies effectively pay less for debt capital than equity because interest expense on debt securities can be offset against pretax income, thus reducing tax expense and tax payments. Under these circumstances, the cost of debt is less than the cost of equity which, in turn, lowers the company's overall weighted average cost of capital in comparison to a higher equity-based capital structure. Lowering the overall cost of capital and having the advantage of associated tax benefits will have a positive impact on a company's cash flow.

27. LTD Holding Company will generate higher cash flow from the use of leverage in the form of debt. LTD Holding Company will benefit significantly from additional cash flow as the result of its use of debt (versus equity) in its capital structure. Even though, as I discussed previously, LTD Holding Company will pay interest expense on the new debt, it will experience tax benefits associated with that interest and will pay a lower total dividend, all of which results in an overall net increase in cash. I will explain how this works mechanically and numerically in my discussion of Adjustment No. 2.

28. Adjustment No. 2 results in a payment of a $300 million dividend by LTD Holding Company to its shareholders. Based on the range of shareholders' equity values as explained in the affidavit of Mr. Collins, LTD Holding Company's dividend yield will be approximately **[Begin Highly Confidential]** **[End Highly Confidential]**. In addition, as a result of the new dividend plan, LTD Holding Company will gain an increase in cash flow which can be used for debt reduction or strategic investment.

29. The new dividend plan will result in increased cash flows in the amount of **[Begin Highly Confidential]** **[End Highly Confidential]**. As illustrated in Exhibit KWD-6, Adjusted Historical Consolidated Statement of Cash Flows, LTD Holding Company paid dividends of **[Begin Highly Confidential]** **[End Highly Confidential]** to its shareholder in 2004. Since LTD Holding

Company expects to pay only $300 million in future dividends to its shareholders, a positive adjustment to cash flow and shareholders' equity of **[Begin Highly Confidential]** **[End Highly Confidential]** is necessary to reflect the anticipated shareholder dividend level.

30 The generation of higher cash flow from the new dividend plan relates to the use of leverage as discussed regarding Adjustment No. 1 above. As I explained and as illustrated on Exhibit KWD-6, the expected lower dividend will generate additional cash of **[Begin Highly Confidential]** **[End Highly Confidential]**. As also shown in Exhibit KWD-6, LTD Holding Company will pay **[Begin Highly Confidential]** **[End Highly Confidential]** (additional interest expense of **[Begin Highly Confidential]** **[End Highly Confidential]** less tax benefit of **[Begin Highly Confidential]** **[End Highly Confidential]**) on its debt leaving a net increase in cash of **[Begin Highly Confidential]** **[End Highly Confidential]** This increase in cash is attributable to the additional leverage in LTD Holding Company's capital structure and the lower dividend obligation, both of which would not be available but for the separation. An increase in cash flow is a valuable benefit to LTD Holding Company because it can be used for activities such as debt reduction or strategic investment.

31. As discussed in the Application and Mr. Sokol's affidavit, after separation, UTSE will continue to provide a complete portfolio of services to its customers, including

long distance services. The ability to continue offering long distance services will occur through a combination of commercial agreements, including sales agency and wholesale long distance agreements, entered into between LTD Holding Company (or a subsidiary)[1] and Sprint Communications Company, L.P. Adjustment No. 3 is necessary to reflect the long distance financial results that would have occurred for 2004, had LTD Holding Company operated at that time under the commercial agreements it will enter into with Sprint Communications Company L.P. in accordance with the separation.

32. LTD Holding Company will offer switched voice long distance services (including intrastate, interstate and international calling) to residential customers. Existing residential long distance customers of Sprint Communications Company L.P. who are located in all LTD Holding Company service areas are reflected in Adjustment No. 3. The existing in-territory residential long distance customers of Sprint Communications Company L.P will be given the opportunity to continue purchasing residential long distance services from LTD Holding under the same "one stop shop" terms and conditions they enjoy today. Thus, Adjustment No. 3 reflects actual 2004 in-territory Sprint Communications Company L.P. residential customers and their associated long distance service purchases, adjusted for the terms of the new commercial agreements. The Long Distance adjustment effectively assumes that those same customers purchased the same long distance services and quantities from LTD Holding Company instead of Sprint

[1] For ease and simplicity, I refer to LTD Holding Company generically when describing the provision of long distance services in this section of my affidavit even though the provider actually will be a subsidiary of LTD Holding Company, referred to as "LTD Long Distance" in the Application

Communications Company L.P., consistent with the plan to allow customers to seamlessly move to LTD Holding Company.

33 Business customers of LTD Holding Company will be offered a full suite of long distance voice (including intrastate, interstate and international) and data products including, most prominently, Switched WATS and Switched Toll Free voice products and ATM, Frame Relay and Dedicated IP data products. The existing business long distance customers of Sprint Communications Company L.P whose corporate headquarters are located in an LTD Holding Company service area are reflected in Adjustment No. 3. This set of business customers will be given the opportunity to continue purchasing long distance services from LTD Holding Company under the same "one stop shop" terms and conditions they enjoy today. Thus, Adjustment No. 3 reflects actual 2004 in-territory Sprint Communications Company L.P. business customers whose corporate headquarters are located in an LTD Holding Company service area, and their respective long distance purchases, adjusted for the terms of the new commercial agreements. The Long Distance adjustment effectively assumes that those same customers purchased the same long distance services and quantities from LTD Holding Company instead of Sprint Communications Company L P , consistent with the plan to move those customers seamlessly to LTD Holding Company pursuant to the customer's choice.

34. In summary, Adjustment No. 3 on Exhibit KWD-4, Adjusted Historical Consolidated Statement of Operations, reflects the revenue and expense results of offering long distance products to the residential and business customer segments described above. The customer quantities and product demands are the actual amounts purchased by these respective customers from Sprint Communications Company L.P. in 2004. The revenue and expenses are adjusted such that they are consistent with the rates and terms of the commercial agreements described above. The adjusted outcome provides a meaningful and accurate depiction of the financial results that would have occurred had LTD Holding Company operated under the new commercial agreements in 2004. This depiction of financial results demonstrates that there is a substantial financial contribution of net income from long distance products. This will contribute to the overall financial health and viability of LTD Holding Company upon separation. The associated adjustments to Exhibits KWD-5 and KWD-6, Adjusted Historical Condensed Consolidated Balance Sheet and Adjusted Historical Consolidated Statement of Cash Flows, reflect the cash effect of the contribution to net income.

35 In addition to providing substantial positive results contributing to the overall financial health of LTD Holding Company, there are other benefits associated with the commercial long distance agreements. The commercial long distance wholesale agreement ensures LTD Holding Company's ability to offer competitively priced long distance services to customers through the contractual

provision for Most Favored Nation ("MFN") pricing. MFN contract provisions entitle LTD Holding Company to wholesale prices for long distance voice and data products equal to or lower than prices provided under contract to other similarly situated non-affiliate purchasers of wholesale long distance services from Sprint

36. In my discussion of the Long Distance adjustment, I referred to the importance of LTD Holding Company's ability to provide a full portfolio of services to meet customer needs. I will now discuss whether LTD Holding Company's provision of wireless services is expected to have a near-term material impact to its financial statements.

37. The Application and the affidavit of Mr. Sokol discuss the targeted local focus that will result from the separation and the emphasis in delivering a full portfolio of services to meet local customer needs, including wireless services. LTD Holding Company, through its subsidiaries, has secured commercial agreements with Sprint enabling it to offer a fully featured, wide range of wireless voice and data services. However, unlike the business plan for long distance described above, there is no expectation of LTD Holding Company having a substantial wireless customer base at the initial point of separation. LTD Holding Company will work to build a wireless customer base over time. Additionally, while LTD Holding Company has in place the necessary billing and customer care capabilities for long distance services, those same capabilities are still under

development for wireless service. Given these factors, wireless services are initially expected to have little impact on the overall financial results of LTD Holding Company.

38. LTD Holding Company's wireless service offerings will be effectuated through a combination of commercial sales agency and Mobile Virtual Network Operator ("MVNO") resale agreements entered into between LTD Holding Company (or a subsidiary)[2] and Sprint. These arrangements will allow LTD Holding Company to offer services to a wide range of low to high usage wireless customer segments These commercial agreements provide LTD Holding Company with a complete portfolio of wireless and data services which will be offered to both residential and business customers. The MVNO resale option will allow LTD Holding Company to develop, over time, new and different wireless plans which best match LTD Holding Company markets and customer preferences.

39. The sharing of asset platforms discussed in the Application and related transactions will not impact the financial status of LTD Holding Company. The Application and Mr. Sokol's affidavit describe how the efficient use of shared asset platforms support a portion of UTSE's operational capabilities. The Application further explains that, upon separation, some of these shared assets will be transferred to LTD Holding Company and some will remain with Sprint. These asset transfers and related transactions are not expected to have a

[2] Similar to the above discussion on long distance services, when describing the provision of wireless services in my answer, I refer to LTD Holding Company generically, even though the provider actually will be a subsidiary of LTD Holding Company referred to as "LTD Long Distance" in the Application

substantial, long term financial impact on LTD Holding Company for reasons I will explain later in my affidavit. First, however, I will describe the nature of these shared assets, their current shared use, and the process by which decisions as to future ownership and use between LTD Holding Company and Sprint will be determined.

40. Today, the vast majority of UTSE's operations are supported by assets owned and operated by UTSE and employees who reside in its service territory. However, UTSE also has available to it the efficient use of certain out-of-area shared asset platforms which UTSE does not own or operate itself. Rather, these shared assets are predominately owned and operated by UTSE's affiliate, Sprint UTSE Management Corporation ("SUMC"). For example, the System Signaling Seven ("SS7") platform which currently provides Local Number Portability ("LNP") call routing information and related capabilities for UTSE is owned and operated by SUMC This SS7 platform provides LNP capabilities, not only to the individual operating telephone companies of Sprint (such as UTSE), but also to the long distance and wireless affiliates. Sprint is utilizing a fact-based decision making process whereby shared assets will be moved to the newly formed LTD Holding Company or remain with Sprint upon separation.

41. The decision making process utilizes a set of straightforward criteria to determine the most logical future owner of each currently shared asset. The first step in the process identifies each individual shared asset. This step has already been

completed. The second step, which also has been completed, is to determine for each shared asset if LTD Holding Company or Sprint, or both, require continued use of that asset upon separation. This step has resulted in the identification of some assets which are required for future use by LTD Holding Company, but not by Sprint and vice versa. Those shared assets identified as being required for future use by LTD Holding Company but not by Sprint, will be titled and moved to the balance sheet of LTD Holding Company at the point of separation. They will be recorded on LTD Holding Company's balance sheet at net book value.

42. As stated above, the second step in the process has identified certain shared assets which are required for the future use of both LTD Holding Company and Sprint. A set of logical criteria have been developed which are being applied to each individual asset decision relative to shared assets required for the future operation of both LTD Holding Company and Sprint. These decision making criteria require analysis regarding the primary use of the asset, the level of revenue generation from the asset, the physical location and maintenance of the asset, expected asset migration and the like. The examination of these objective criteria will ultimately determine whether each shared asset will be moved to LTD Holding Company or remain with Sprint at the point of separation.

43. For those shared assets which are required for LTD Holding Company's future operations, but are determined to remain with Sprint at separation, LTD Holding Company will ensure that it and its operating telephone company subsidiaries

such as UTSE have adequate access to asset services by purchasing the necessary capabilities from Sprint. The reverse will also be the case for assets transferring to LTD Holding Company at separation which Sprint needs to use for a transitional period of time. This purchase of the use of asset services will be transacted through Transition Service Agreements executed between LTD Holding Company and Sprint. The transitional services subject to these agreements will be priced at cost and are generally expected to be in place for approximately one year to allow sufficient time for LTD Holding Company and Sprint to develop and implement their respective stand-alone capabilities. At the end of the transitional period, LTD Holding Company and Sprint will discontinue the transitional operations and associated agreements and begin utilizing their own respective operating platforms/assets.

44. The process described above is not expected to generate a substantial change to LTD Holding Company's financial statements contained in Exhibits KWD-4, KWD-5 and KWD-6 because the financial impacts of the LTD Holding Company's telephone companies' (including UTSE's) use of shared assets are already reflected in the 2004 Historical LTD Holding Company starting point shown in Exhibits KWD-4 and KWD-6. As stated earlier, these shared assets currently reside on the balance sheet of SUMC. However, the operating costs (including depreciation expense) of these shared assets are allocated from SUMC to the individual local telephone companies (including UTSE) each month, using in most cases the same relative use criteria referenced above. Additionally, the use

of Transition Service Agreements described above will result in cost-based billing between LTD Holding Company and Sprint for approximately one year after separation. These billings will ensure that the cost of ownership, relative to the transfer of shared assets to LTD Holding Company, is reduced to reflect Sprint's use of the assets during the approximately one-year transitional period following separation. Thus, the existing expense and cash impacts already reflected in Exhibits KWD-4 and KWD-6 are a reasonable representation of the expense and cash impacts that will occur from a combination of asset ownership costs and the recording of transitional transactions, and no adjustment is therefore necessary.

45. The following is the overall impact to the financial statements of LTD Holding Company as adjusted for the separation: The Adjusted Historical Consolidated Statement of Operations for LTD Holding Company in Exhibit KWD-4 reflects an overall increase in revenue of **[Begin Highly Confidential]** **[End Highly Confidential]**, an increase in operating expense of **[Begin Highly Confidential]** **[End Highly Confidential]**, an increase in interest and tax expense of **[Begin Highly Confidential]** **[End Highly Confidential]**, and a decrease in net income of **[Begin Highly Confidential]** **[End Highly Confidential]**. The Adjusted Historical Condensed Consolidated Balance Sheet for LTD Holding Company in Exhibit KWD-5 reflects an increase in assets of **[Begin Highly Confidential]** **[End Highly Confidential]** which is matched by an identical increase in liabilities and shareholders' equity. The Adjusted Historical Consolidated Statement of Cash

Flows for LTD Holding Company in Exhibit KWD-6 reflects an increase in cash of **[Begin Highly Confidential]** **[End Highly Confidential]** after accounting for all of the separation transactions.

46. My affidavit and the affidavit of Mr.Collins, collectively demonstrate that the new LTD Holding Company has solid financial capabilities as a financially secure Fortune 500 company. Upon separation, LTD Holding Company will have the ability to generate revenues to pay all expenses, invest in its network, employees, and systems to continue providing high quality service, and pay an attractive dividend to its shareholder. The analysis and affidavit of Mr.Collins illustrates that LTD Holding Company's capital structure and dividend policy are reasonable, and it will have the ability to raise capital, service its debt, and make strategic investments. All of this evidence confirms that the new LTD Holding Company will have the financial capability necessary to succeed.

47. The positive financial capability of LTD Holding Company will, in turn, benefit UTSE. The positive financial characteristics of LTD Holding Company will help ensure that it will have the financial stability to position itself and pursue strategies necessary to assist UTSE to succeed. With a solid financial structure, LTD Holding Company will produce sufficient revenues and cash flow to allow LTD Holding Company to attract capital to invest in its local telephone company operations. This investment will facilitate a focused local strategy, and local

I hereby declare under the penalty of perjury that the foregoing statements are true, correct, and complete to the best of my knowledge Further, the affiant sayeth not.

Kent W. Dickerson

Affiant

Sworn to and subscribed before me

this 17th day of August 2005.

Anne M. Toller

Notary Public

ANNE M. TOLLER
NOTARY PUBLIC
STATE OF KANSAS

(Seal)

My Commission Expires 2/2/2006

EXHIBIT KWD-1

Statement of Operations for the 12 Months Ended 12/31/04 for UTSE

Public Version

United Telephone - Southeast, Inc.
Statement of Operations
Twelve Months Ended December 31, 2004
($000)

Account Title	UTSE ARMIS Basis	Tennessee ARMIS Basis
Operating Revenues		
Basic Local Service	$ 115,551	$ 81,113
Network Access Service	82,475	53,637
Toll Network Service	5,933	4,699
Miscellaneous Revenue	17,208	12,616
Non Regulated Revenue	27,246	18,690
Uncollectibles	(2,723)	(2,002)
Total Operating Revenues	**$ 245,690**	**$ 168,754**
Operating Expenses		
Plant Specific Operations	$ 51,756	$ 36,783
Plant Nonspecific Operations	11,381	9,211
Access Expense	5,633	3,888
Customer Operations	33,047	23,625
Corporate Operations	30,866	21,226
Depreciation/Amortization	56,276	36,748
Total Operating Expenses	**$ 188,959**	**$ 131,482**
Operating Income	**$ 56,731**	**$ 37,271**
Operating Taxes	$ 20,369	
Interest Expense	$ 7,869	
Other Income & Expense	$ 2,943	
Net Income	**$ 31,436**	

EXHIBIT KWD-2

Balance Sheet at 12/31/04 for UTSE

Public Version

United Telephone - Southeast, Inc.
Balance Sheet
As of December 31, 2004
($000)

Account Title		ARMIS Basis
Current Assets		
Cash and Equivalents	$	90
Receivables-Net		71,477
Other Current Assets		1,671
Total Current Assets	**$**	**73,238**
NonCurrent Assets		
Investments	$	3,625
Unamortized Debt Issuance Expense		138
Other NonCurrent Assets		26,429
Deferred Charges		7,178
Total NonCurrent Assets	**$**	**37,369**
Plant		
Gross Property, Plant and Equipment	$	870,245
Accumulated Depreciation		(568,081)
Net Plant	**$**	**302,163**
Total Assets	**$**	**412,771**
Current Liabilities		
Accounts Payable	$	15,095
Advance Billings		7,370
Customer Deposits		321
Current Maturities		19,200
Accrued Taxes		1,861
Other Current Liabilities		11,461
Total Current Liabilities	**$**	**55,307**
Long-Term Debt		
Funded Debt	$	13,230
Other Long-Term Debt		75,000
Total Long-Term Debt	**$**	**88,230**
Other Liabilities and Deferred Credits		
Other Long-Term Liabilities	$	33,075
Net Noncurrent Deferred Income Taxes		54,321
Other Deferred Credits		(1,537)
Total Other Liabilities and Deferred Credits	**$**	**85,859**
Stockholders' Equity		
Stockholders' Equity	$	183,375
Total Stockholders' Equity	**$**	**183,375**
Total Liabilities and Stockholders' Equity	**$**	**412,771**

EXHIBIT KWD-3

Statement of Cash Flows for 12 Months Ended 12/31/04 for UTSE

Public Version

United Telephone - Southeast, Inc.
Statement of Cash Flows
Twelve Months Ended December 31, 2004
($000)

Account Title		ARMIS Basis
Cash Flows from Operating Activities		
Net Income/Loss	$	31,436
Depreciation and Amortization		56,276
Other Net		(24,463)
Net Cash Provided By/Used in Operating Activities	**$**	**63,249**
Cash Flows from Investing Activities		
Construction/Acquisition of Property, Plant and Equipment	$	(38,558)
Other Investing Activities Net		(216)
Net Cash Provided from Investing Activities	**$**	**(38,774)**
Cash Flows from Financing Activities		
Dividends Paid	$	(24,517)
Other Financing Activities Net		-
Net Cash Provided by Financing Activities	**$**	**(24,517)**
Net Increase/Decrease in Cash and Cash Equivalents	**$**	**(42)**
Cash and Cash Equivalents-Beginning of Period		**132**
Cash and Cash Equivalents-End of Period	**$**	**90**

EXHIBIT KWD-4

Adjusted Historical Consolidated Statement of Operations for 12 Months Ended 12/31/04 for LTD Holding Company

Public Version

LTD HOLDING COMPANY
ADJUSTED HISTORICAL CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)
(millions)

Year Ended December 31, 2004	Historical LTD Holding Company	Adj.No 1 Capital Structure	Adj. No. 2 Dividend Policy	Adj. No. 3 Long Distance	Adjusted Historical LTD Holding Company
Net Operating Revenues					
Operating Expenses					
Costs of services and products					
Selling, general and administrative					
Depreciation					
Restructuring and asset impairments					
Total operating expenses					
Operating Income					
Interest expense					
Other income (expense), net					
Income from continuing operations before income taxes					
Income tax expense					
Net Income					

Note: Adjustments are presented as if the separation transaction occurred on January 1, 2004

EXHIBIT KWD-5

Adjusted Historical Condensed Consolidated Balance Sheet at 12/31/04 for LTD Holding Company

Public Version

LTD HOLDING COMPANY
ADJUSTED HISTORICAL CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)
(millions)

December 31, 2004	Historical LTD Holding Company	Adj No 1 Capital Structure	Adj. No 2 Dividend Policy	Adj No 3 Long Distance	Adjusted Historical LTD Holding Company
Assets					
Current assets					
Cash and equivalents					
Other					
Total current assets					
Gross property, plant and equipment					
Accumulated depreciation					
Net property, plant and equipment					
Other assets					
Total					
Liabilities and Shareholders' Equity					
Current liabilities					
Current maturities of long-term debt					
Other					
Total current liabilities					
Noncurrent liabilities					
Long-term debt and capital lease obligations					7,250
Long-term intercompany debt					
Deferred income taxes					
Postretirement and other benefit obligations					
Other					
Total noncurrent liabilities					
Total shareholders' equity (accumulated deficit)					
Total					

Note Adjustments are presented as if the separation transaction occurred on January 1, 2004.

EXHIBIT KWD-6

Adjusted Historical Consolidated Statement of Cash Flows for 12 Months Ended 12/31/04 for LTD Holding Company

Public Version

LTD HOLDING COMPANY

ADJUSTED HISTORICAL CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

(millions)

Year Ended December 31, 2004	Historical LTD Holding Company	Adj.No. 1 Capital Structure	Adj No 2 Dividend Policy	Adj No 3 Long Distance	Adjusted Historical LTD Holding Company
Operating Activities					
Net Income (Loss)					
Adjustments to reconcile net income (loss) to net cash provided by operating activities					
Depreciation and amortization					
Deferred income taxes					
Accounts receivable, net					
Inventories and other current assets					
Accounts payable and other current liabilities					
Noncurrent assets and liabilities, net					
Other, net					
Net cash provided by operating activities of continuing operations					
Investing Activities					
Capital expenditures					
Other, net					
Net cash used by investing activities of continuing operations					
Financing Activities					
Payments on long-term debt					
Dividends paid					(300)
Other, net					
Net cash used by financing activities of continuing operations					
Increase in Cash and Equivalents					
Cash and Equivalents at Beginning of Period					
Cash and Equivalents at End of Period					

Note Adjustments are presented as if the separation transaction occurred on January 1, 2004

EXHIBIT KWD-7

Adjustment No. 1, Capital Structure

Public Version

LTD Holding Company
Adjustment No. 1, Capital Structure
(millions)

Exhibit KWD-7

Interest Expense Calculation for Adjustment No.1, Capital Structure

Description	Amount	Interest Rate	Amount
New debt Issuance:			
Floating rate debt (3 - 5 yr. maturity)			
Fixed rate debt (7 - 30 yr. maturity)			
Less: Settlement of intercompany debt			
Interest Expense Adjustment No. 1			
Tax Benefit			
Net Increase to Expense			

PUBLIC VERSION

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In the Matter of:	)	
	)	
Application of Sprint Nextel Corporation	)	
for Approval of the Transfer of Control of	)	
United Telephone-Southeast, Inc., Sprint	)	Docket No. ________________
Long Distance, Inc. and Sprint Payphone	)	
Services, Inc. From Sprint Nextel	)	
Corporation to LTD Holding Company	)	

AFFIDAVIT OF KEVIN P. COLLINS IN SUPPORT OF THE APPLICATION OF SPRINT NEXTEL CORPORATION FOR APPROVAL OF TRANSFER OF CONTROL

* * *

THIS AFFIDAVIT IS BEING PROVIDED SOLELY IN CONNECTION WITH THE ABOVE-REFERENCED PROCEEDING AND MAY NOT BE RELIED UPON BY ANY PERSON OR ENTITY FOR ANY OTHER PURPOSE

* * *

I, Kevin P. Collins, being duly sworn depose and state:

1. I am employed as a managing director at Houlihan, Lokey, Howard & Zukin Financial Advisors, Inc. ("HL"). My business address is Houlihan, Lokey, Howard & Zukin Financial Advisors, Inc, 245 Park Avenue, 19th Floor, New York, NY 10167. HL is an international investment bank established in 1970. HL provides a wide range of services, including mergers and acquisitions, financing, financial opinions and advisory services, and financial restructuring. HL has rendered in excess of one hundred opinions

addressing the impact of transactions on the capital adequacy of companies. These opinions have been accepted by boards of directors, by lenders, by regulators and tested in legal proceedings. Attached hereto as Exhibit KPC-1 is a further description of HL as well as a summary of my personal experience.

2. I have worked in investment banking providing financial advisory services, including capital adequacy analysis, for the past 17 years. As a Managing Director in the New York office of HL, I am the head of the financial advisory practice of that office, a position that I've held for over ten years. My educational background includes a Bachelor of Science degree from the State University of New York at Albany in 1979, and a Masters in Business Administration from the University of Rochester in 1982 with concentrations in Finance and Applied Economics.

3. HL has been asked to evaluate certain aspects of the separation of Sprint's incumbent local wireline operations ("LTD Holding Company" or "Company") from its parent company (as further described in the Application of Sprint Nextel Corporation ("Sprint") for Approval of the Transfer of Control) from a financial point of view. In particular we have performed an independent valuation of LTD Holding Company and analyzed certain financial information regarding the capitalization of LTD Holding Company subsequent to the separation and its impact on the ability of the Company to pay its debts as they become due. Attached to my affidavit as Exhibit KPC-2 is the "Report to Sprint Nextel Corporation", which represents the complete analysis and valuation undertaken by HL on behalf of Sprint ("Sprint Report"). The purpose of my testimony is to sponsor the

Sprint Report as part of the separation application to demonstrate the financial strength of LTD Holding Company as an independent stand alone entity.

4. Although the separation will not take place until the receipt of all necessary approvals, for purposes of our analysis, we have assumed that the Transaction will occur on June 1, 2006. To complete our valuation we have utilized projected financial statement information regarding the expected financial condition of LTD Holding Company as of June 1, 2006 supplied by LTD Holding Company management, and assumed economic, market and financing conditions are the same as of today. LTD Holding Company management provided financial projections for LTD Holding Company through fiscal year 2007 approved by LTD Holding Company management as part of their ongoing business operations ("Three Year Projections") (Sprint Report, Executive Summary - Tab 1, Contents of Report and Other Matters, page 3; Transaction Overview - Tab 2, page 14 – fiscal years 2005-2007). Although we have not independently verified the accuracy and completeness of the Three Year Projections or their underlying assumptions, nothing has come to the attention of our personnel working on this engagement during the course thereof that has caused us to believe, based on our best professional judgment, that it was unreasonable for us to utilize and rely upon the projections as part of our analysis.

5. HL independently undertook solely for purposes of this analysis to extend the Three Year Projections to 2010. (Id.) The extension for 2008 to 2010 was not developed by Sprint management and is not part of the projections approved by Sprint management: nevertheless, Sprint does not believe that it is unreasonable for HL to utilize the extended

forecasts for purposes of its evaluation. HL developed the extension by trending from the Three Year Projections utilizing publicly available information relating to telecommunication industry and forecasts for use solely in the Cashflow Test, as hereinafter defined. We understand that Sprint has obtained indicative ratings for LTD Holding Company from major ratings agencies.

6. The typical analysis of adequate capital examines both the value of a company's assets relative to its liabilities, and its projected cash flows relative to its operating requirements (Sprint Report, Methodology – Tab 4, Capital Tests Methodology, Reasonable Capital Test, page 47). The analysis is conducted under the assumption that the transaction has been consummated as proposed. The analysis we concluded can be summarized as follows:

(a) The fair value of LTD Holding Company's assets in the aggregate;

(b) Whether the fair value of LTD Holding Company's assets would exceed its stated liabilities and identified contingent liabilities (referred to as the "Balance Sheet Test");

(c) Whether LTD Holding Company should be able to pay its debts as they become absolute and mature while (i) continuing to generate sufficient cash to re-invest in the business at a level indicated by the Company necessary to maintain the current level of service, and (ii) paying dividends in accordance with the planned dividend policy which the Company believes is commensurate with industry peers and after consideration of a commercially reasonable level of refinancing (referred to as the "Cashflow Test"); and

(d) Whether the capital remaining in LTD Holding Company after the Transaction would be reasonable for the business in which it is engaged, as management has indicated it is proposed to be conducted following the consummation of the Transaction (referred to as the "Reasonable Capital Test").

The fair value of a company's assets is defined as "the amount that may be realized if a company's aggregate assets (including goodwill) are sold in their entirety with reasonable promptness in an arm's length transaction under present conditions for the sale of comparable business enterprises, as such conditions can be reasonably evaluated."

Being "able to pay its debts as they become absolute and mature" means that, assuming the transaction has been consummated as proposed, the company's financial forecasts indicate positive cash flow for such period, including (and after giving effect to) the payment of installments due under loans made pursuant to the indebtedness incurred in the transaction, as such installments are scheduled at the close of the transaction, after consideration of a commercially reasonable level of refinancing."

7. To assess whether the capital remaining in a company is not unreasonably small requires a subjective analysis of the results of the Balance Sheet Test and the Cashflow Test. The analysis includes consideration of various factors including: (i) the degree of sensitivity

to revenue growth or decline and margin assumptions demonstrated in the Cashflow Test; (ii) the historical and expected volatility of asset values; (iii) the maturity structure of the company's fixed obligations; (iv) the magnitude, timing, and nature of contingent liabilities; (v) the prevalent capital structures within the industry; and (vi) the amount of flexibility allowed by the financial covenants in the credit agreements. The size of LTD Holding Company and the diversity of its wireline assets across eighteen states are important factors in performing the Reasonable Capital Test.

8. HL employed three approaches that are commonly used by investors and analysts in the valuation of companies (Sprint Report, Methodology – Tab 4, Valuation Methodology, pages 38-43). First, in the Market Multiple Approach we derive valuation multiples from a group of comparable publicly traded companies. Upon a comparison of the subject company to the comparable companies across a number of qualitative and quantitative factors, we select multiples to apply in the valuation of the subject company.

Second, in the Comparable Transaction Approach we derive valuation multiples from precedent transactions within the industry representing the sale of comparable companies or assets. Similarly, based upon a comparison of the subject company to those companies involved in industry transactions, we select multiples to apply in the valuation of the subject company.

Finally, in the Discounted Cash Flow Approach, utilizing the financial projections prepared by management of the Company, we calculate the net present value of all future expected cash flows. Cash flows are discounted to the present at a risk-adjusted discount rate, which is measured as the industry weighted average cost of capital. At the final year of the projections, we estimate a terminal value using a valuation multiple in a similar fashion to the first two approaches. This terminal value is also discounted to the present.

The conclusion of the fair value of the Company (or its assets in the aggregate) is determined by taking into consideration the indicated values from the above three approaches.

9. HL determined that in this case, the book value of equity is not a relevant indicator of fair value for the company's assets. In certain situations, for example with financial institutions, book value (or a multiple thereof) is often utilized in valuation analyses. However, for operating companies, including telecommunication companies, book value of equity is often a function of accounting conventions and historical accounting treatment and is not a directly applicable figure for valuation purposes. Book value results from the myriad accounting rules and often has no direct correlation to fair value. This can be observed in the marketplace where companies with negative book equity values have positive and substantial market equity values.

10. Based on our valuation analysis, the fair value of the assets of LTD Holding Company is reasonably stated in the range of **[Begin Highly Confidential]** **[End Highly Confidential]** to **[Begin Highly Confidential]** **[End Highly Confidential]** (Sprint Report, Valuation Analysis - Tab 5, Valuation Summary, page 50). Further, it is

our conclusion that LTD Holding Company, assuming that the transaction is consummated as proposed, passes the previously described tests relating to adequate capital. The estimated fair value of the assets exceeds the pro forma debt **[Begin Highly Confidential]** **[End Highly Confidential]** of $7.3 billion. LTD Holding Company should be able to pay its debts as they become absolute and mature, after consideration of a commercially reasonable level of refinancing, while (i) continuing to generate sufficient cash to re-invest in the business at a level indicated by the Company necessary to maintain the current level of service, and (ii) paying dividends in accordance with the planned dividend policy which the Company believes is commensurate with industry peers. Finally, after review of the previously cited factors we concluded the capital remaining in LTD Holding Company is not unreasonably small for the business in which it is engaged (Sprint Report, Capital Tests – Tab 6, pages 65-68).

11. The anticipated level of debt of LTD Holding Company after the separation is within the levels that can be observed for similar industry participants. Investors, analysts and rating agencies examine a number of leverage ratios when assessing the creditworthiness of a company. These ratios often include (i) total debt to EBITDA (earnings before interest, taxes, depreciation and amortization), (ii) fixed charge coverage defined as (EBITDA-capital expenditures)/annual interest payments, and (iii) total debt to enterprise value (defined as market value of equity, plus debt and preferred stock, less cash). LTD Holding Company is expected to have a debt to EBITDA ratio of approximately **[Begin Highly Confidential]** **[End Highly Confidential]** at the time of the separation.

This is a **[Begin Highly Confidential]** **[End Highly Confidential]** of leverage as compared to the selected comparable companies, which have an average debt to EBITDA ratio of 3.7x (Sprint Report, Executive Summary – Tab 1, Summary of Findings, page 8). Based on the forecasts for LTD Holding Company, EBITDA is expected to cover fixed charges in 2006 by approximately **[Begin Highly Confidential]** **[End Highly Confidential]** (Sprint Report, Capital Tests – Tab 6, Summary of Analyses, page 73), which is **[Begin Highly Confidential]** **[End Highly Confidential]** the average 3.2x fixed charge coverage ratio for the comparable companies (Sprint Report, Telecommunications Industry Analysis - Tab 3, Comparable Companies Analysis, page 26). Based upon the midpoint of our valuation range for LTD Holding Company, we estimate that at the time of the separation the Company's debt will account for approximately **[Begin Highly Confidential]** **[End Highly Confidential]** of its capital. (Sprint Report, Telecommunications Industry Analysis - Tab 3, Comparable Companies Analysis, page 26). This is **[Begin Highly Confidential]** **[End Highly Confidential]** the average debt to capital ratios for the comparable companies of 46.1 percent. (Sprint Report, Telecommunications Industry Analysis - Tab 3, Comparable Companies Analysis, page 26).

12. LTD Holding Company currently anticipates paying approximately $300 million per year in dividends on its common stock (Sprint Report, Transaction Overview – Tab 2, page 13). Dividends are an important aspect of equity securities and LTD Holding Company's dividend yield is expected to attract investors who are interested in current yield thereby providing support for the stock price. Based on the forecasts for LTD Holding Company,

the Company is expected to have sufficient cash flows from operations to reinvest in its business through capital expenditures, pay the dividend and make principal payments on its debt. In fact, its dividend payout ratio (defined as the dividend payment as a percentage of free cash flows after payment of interest, taxes and capital expenditures) is projected to be in the range of **[Begin Highly Confidential]** **[End Highly Confidential]** to **[Begin Highly Confidential]** **[End Highly Confidential]** over the projection period (Sprint Report, Capital Tests – Tab 6, Summary of Analyses, page 73), which is **[Begin Highly Confidential]** **[End Highly Confidential]** than the median expected 2005 payout ratio for the comparable companies of 70 percent (Sprint Report, Executive Summary - Tab 1, Summary of Findings, page 7). Additionally, notwithstanding that equity investors will view the dividend payment favorably, the dividend payment will be at the discretion of LTD Holding Company's board of directors and the payment can be modified at any time.

13. I do not expect that the anticipated capital structure will limit LTD Holding Company's ability to reinvest in its business. The management of LTD Holding Company has projected future capital expenditure requirements. The aggregate capital expenditures in each of the next several years is expected to be approximately **[Begin Highly Confidential]** **[End Highly Confidential]** of revenues, which is **[Begin Highly Confidential]** **[End Highly Confidential]** than the average projected for 2005 for the comparable companies of approximately 13 percent of revenues (Sprint Report, Executive Summary - Tab 3, Comparable Companies Analysis , page 35). As discussed above, LTD Holding Company should have excess cash flows

beyond those needed for dividend payments should capital expenditure requirements be higher than anticipated or if the Company has investment opportunities with favorable economics.

14. With the proposed capital structure, LTD Holding Company should be in a position to obtain future financing. The ability of a company to raise financing is a function of a number of factors, including, but not limited to attractiveness of its business, leverage and capital market conditions. Based on the Company's forecasts and assuming market conditions are reasonably similar to those existing today, LTD Holding Company's leverage should decline and it should maintain a substantial equity value. As an independent company with a size that places it well within the Fortune 500, LTD Holding Company should have numerous alternatives for accessing capital in the future.

15. Current and future competition has been factored into the analysis. The Company recognizes that its business has been and will continue to be subject to competition from a number of competitive communication providers including wireless voice and data providers, cable companies offering voice services and potentially other competitors in the future. The expectation for future competition is factored into the Company forecasts in which it has assumed access line **[Begin Highly Confidential]** **[End Highly Confidential]** from **[Begin Highly Confidential]** **[End Highly Confidential]** (Sprint Report, Telecommunications Industry Analysis - Tab 3, Comparable Companies Analysis, page 28) to **[Begin Highly Confidential]** **[End Highly Confidential]** per year (Sprint Report, Capital Tests – Tab 6, Summary of

Analysis, page 72) over the 2005 to 2007 period, **[Begin Highly Confidential]** **[End Highly Confidential]** certain of its product offerings and **[Begin Highly Confidential]** **[End Highly Confidential]** its **[Begin Highly Confidential]** **[End Highly Confidential]** DSL business. While the Company plans to respond to these competitive threats to minimize the impact to its business, the assumptions regarding competition in the Company's forecasts are inherently embedded in our analysis. Further, to test less favorable potential outcomes for the Company, we have tested cases with **[Begin Highly Confidential]** **[End Highly Confidential]** to competition and have determined that the Company has reasonable cushion to underperform it forecasts yet maintain a positive operating cash flow.

16. Based on the current intentions of Sprint regarding the separation of the local telecommunications division, including the anticipated debt and dividend levels of LTD Holding Company, our summary conclusions are as follows. Based on an extensive review of the operations and financial condition of LTD Holding Company, my knowledge and experience in both telecommunications and corporate finance, and my valuation and financial analysis, and assuming that the transaction is consummated as proposed, LTD Holding Company passes the three tests relating to adequate capital as previously discussed. Further, neither the level of debt nor the anticipated dividend policy should limit the Company's ability to reinvest at the levels that the Company forecasts will be required to maintain its current or an improved level of quality of service.

I hereby declare under the penalty of perjury that the foregoing statements are true, correct, and complete to the best of my knowledge. Further, the affiant sayeth not.

Affiant

Sworn to and subscribed before me

this 17th day of August 2005

Notary Public

JACQUELINE SINCLAIR
Notary Public, State of New York
No 01SI6021470
Qualified in Queens County
Commission Expires 10·31·07

(Seal)

My Commission Expires. 10·31·07

EXHIBIT KPC-1

Personal Resume and Description of HL

Exhibit KPC-1

AUGUST 2005

Sprint Nextel Testimony

Houlihan Lokey Howard & Zukin
Investment Banking Services
245 Park Avenue, 20th Floor
New York, New York 10167
212-497-4100
www hlhz com

Los Angeles New York Chicago San Francisco Washington D C Minneapolis Dallas Atlanta London

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Summary Qualifications

Exhibit KPC-1

Summary Qualifications

ORGANIZATION

- Houlihan Lokey Howard & Zukin ("Houlihan Lokey") is a leading investment banking firm providing a broad range of services to its clients.
- Houlihan Lokey is the #1 Advisor in transactions under $500 million and the #5 Advisor in transactions under $1 billion (as ranked by Thomson Financial Securities Data).
- In addition, the firm is the #1 provider of Fairness Opinions and also has a leading global restructuring practice.
- Financial Advisory Services include Fairness Opinions, Business & Securities Valuation, Purchase Price Allocation & Intangible Asset Impairment, Solvency Opinions, Dispute Analysis & Litigation Support, Board of Directors Advisory Services, and Strategic Alternatives.
- Investment banking services include Sell-side Mergers and Acquisitions, Buy-side Mergers and Acquisitions, Strategic Alternatives Assessments, Private Placements, Leveraged and ESOP buyouts, and Cross Border Advisory.
- Restructuring Services include Chapter 11 Planning, Restructuring Debt and Equity, Debtors-In-Possession Financing, Exchange Offers, IPO Plans of Reorganization, and Distressed Mergers and Acquisitions.

Exhibit KPC-1

Summary Qualifications

BACKGROUND

- Founded in 1970, Houlihan Lokey Howard & Zukin ("Houlihan Lokey" or the "Firm") was formed initially to provide business and securities valuations
- The Firm's reputation in quantitative and analytical analysis served as a platform for providing Financial Advisory Services (e.g., strategic advisory, ESOP feasibility, solvency opinions, litigation support, etc.)
- Houlihan Lokey began providing corporate finance services in 1987, and has placed in the top domestic M&A advisors for ten straight years
- The Firm's Financial Restructuring Group was formed in 1988 and today is the leading provider of financial restructuring and distressed M&A investment banking services in the world
- In the late 1990s the Firm increased its presence in Europe and in 2002 opened its London office
- Headquartered in Los Angeles, Houlihan Lokey today has approximately 600 employees in nine offices in the United States and the United Kingdom

Exhibit KPC-1

Summary Qualifications

Financial Advisory

- Houlihan Lokey is the leader in Business and Security Valuation; the firm is the largest independent provider of valuation services in the United States. The firm conducts its valuation practice through its Financial Advisory Services ("FAS") group

Summary of Qualifications

- Houlihan Lokey is the nation's leading provider of capital adequacy opinions. Our opinions are relied upon by boards of directors in connection with a variety of transactions including spin-offs, corporate reorganizations, dividend recapitalizations and stock repurchases.
- Number one ranking in fairness opinions for past four years
- Perform over 750 engagements per year
  - Clients include:
    - Fortune 500 companies
    - Forbes 400 families
    - Private companies
    - Federal and state agencies
    - Private equity funds
- Professional staff comprised of over 100 Financial Professionals with outside banking, accounting, legal and/or consulting experience

Exhibit KPC-1

Expert Testimony Experience

Exhibit KPC-1

Expert Testimony Experience

Testimony Experience

Experienced Expert Witnesses

Houlihan Lokey's officers have been designated as expert witnesses in hundreds of transactions, proceedings, and lawsuits and have testified in numerous venues throughout the country, including:

- United States District Court
- United States Bankruptcy Court
- Numerous State Courts
- United States Tax Court
- Regulatory Agencies
- Public Utilities Commissions
- American Arbitration Association

Exhibit KPC-1

Expert Testimony Experience

KEVIN P. COLLINS

Mr. Collins is a Managing Director in charge of the Valuation Practice in Houlihan Lokey Howard & Zukin's New York office, and has been involved in business and securities valuation for the past seventeen years. Mr. Collins has provided financial advisory services in a range of transactions including mergers, acquisitions, spin-offs, sales, repurchases of minority and controlling interest blocks, and other corporate finance activities. He has also provided valuations for corporate tax and gift and estate tax purposes, ESOPs, and dispute analysis.

Mr. Collins earned a B.S. in business administration from the State University of New York at Albany and an M.B.A. from the University of Rochester.

Exhibit KPC-1

Expert Testimony Experience

TESTIMONY EXPERIENCE – KEVIN P. COLLINS

- Following is a summary of matters in which Kevin Collins has testified either as an expert, or on behalf of Houlihan Lokey, over the last twelve years:

  1. Expert testimony to the Iowa Public Utilities Commission on behalf of Iowa Telecommunications, Inc.
  2. Encore Marketing International, Inc. v. Experian Information Solutions, Inc. – Expert Report and Deposition
  3. Oakwood Homes Corporation Chapter 11 in U.S. Bankruptcy Court District of Delaware (case No. 02-13396(JPW)) Asbestos Litigation (Claimants represented by Mundy & Singley) v. Crown Cork & Seal Inc. (Harris County Texas District Court) – Deposition
  4. Asbestos Litigation (Claimants represented by Mundy & Singley) v. Crown Cork & Seal Inc. (Harris County Texas District Court) – Deposition
  5. Plan Administrator AFD Fund (Ameriserve Food Distribution) v. Onex Corporation (U.S. District Court Southern District of NY) – Deposition
  6. W.R. Grace Debtors Official Committee of Asbestos Personal Injury and Property Damage Claimants v. Sealed Air Corp. (U.S. District Court – NJ) – Deposition
  7. Rare Medium Group, Inc. Shareholders Litigation (Delaware Chancery Court C.A. No. 18879 NC) – Deposition
  8. Lids Corporation v. Marathon Investment Partners, LP – Deposition and Trial Testimony

Exhibit KPC-1

Expert Testimony Experience

Testimony Experience – Kevin P. Collins (continued)

9. Tosco Corp. v. Huntsman Corp. (Southern District of New York, case No. 99-CV-2546) – Deposition
10. Application of Anthem Health Plan of Maine to Acquire the Assets of Associated Hospital Service of Maine d/b/a Blue Cross and Blue Shield of Maine - Expert witness testimony before Maine Insurance Commissioner
11. Kohler Company v. SoGen International Fund, Inc. (Eastern District of Wisconsin, case No. 98-CV-0437) – Deposition
12. The Glidden Company v. Jandernoa (U.S. District Court Western District of Michigan Southern District) – Deposition and Trial Testimony
13. Solomat Partners, L.P. and Solomat Enterprises, Inc. Chapter 11 Proceeding (Bankruptcy Court Bridgeport, CT) – Trial Testimony

Exhibit KPC-1

EXHIBIT KPC-2

Report to Sprint Nextel Corporation

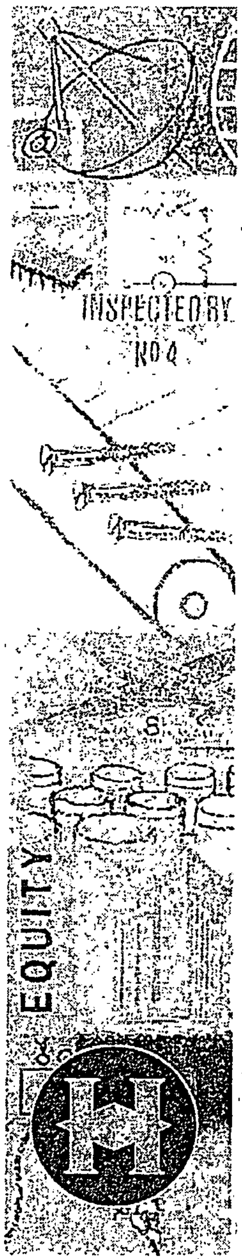
*** PUBLIC VERSION ***

All Redacted Matenals Are "Highly Confidential"

No "Confidential" Materials Included

PUBLIC VERSION

EXHIBIT KPC-2



AUGUST 15, 2005

Report to Sprint Nextel Corporation

Analysis of LTD Holding Company

SPRINT NEXTEL REDACTED PUBLIC VERSION

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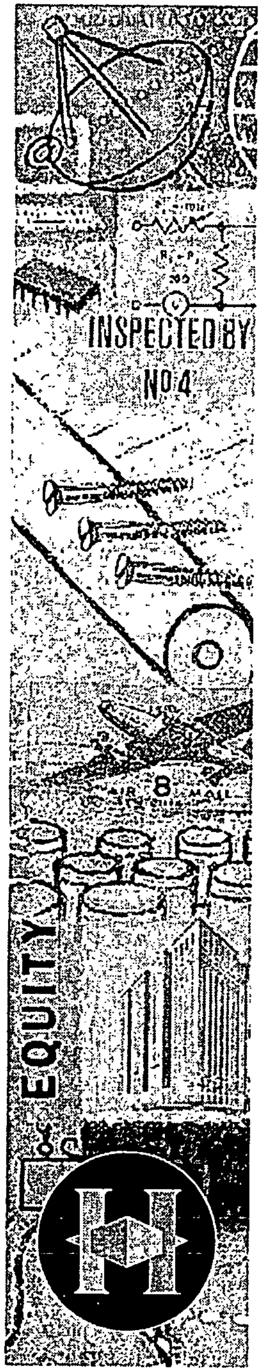

Executive Summary

Executive Summary

Summary Description Of Transaction

We understand that Sprint Nextel Corporation ("Sprint"), intends to separate its local telephone division ("LTD Holding Company" or the "Company") to the shareholders of the combined entity We further understand that it is currently contemplated that LTD Holding Company will retain a debt leverage position that is consistent with the characteristics of companies rated "investment grade" by recognized rating agencies and that it is expected that LTD Holding Company will pay dividends commensurate with industry peers Prior to the separation, Sprint must obtain regulatory approval for the separation from the various states in which it operates The separation and other similar or related transactions disclosed to Houlihan Lokey are referred to collectively herein as the "Transaction "

LTD Holding Company will consist of a local telecommunications business operating in eighteen (18) states and Sprint North Supply, an organization principally engaged in the procurement and distribution of equipment and supplies used in the telecommunications industry LTD Holding Company currently has 7 5 million access lines and over 590,000 DSL subscribers

Executive Summary

CONTENTS OF REPORT

Sprint Nextel Corporation has requested that Houlihan Lokey provide a written report regarding

(a) the fair value of LTD Holding Company's assets in the aggregate (the "Valuation Analysis"),

(b) assuming the Transaction has been consummated as proposed, immediately after and giving effect to the Transaction, as to the following (collectively the "Capital Tests")

(i) whether the fair value of LTD Holding Company's assets would exceed its stated liabilities and identified contingent liabilities (the "Balance Sheet Test"),

(ii) whether LTD Holding Company should be able to pay its debts as they become absolute and mature while (i) continuing to generate sufficient cash to re-invest in the business at a level indicated by the Company necessary to maintain the current level of service, and (ii) paying dividends in accordance with the planned dividend policy which the Company believes is commensurate with industry peers and after consideration of a commercially reasonable level of refinancing (the "Cash Flow Test"), and

(iii) whether the capital remaining in LTD Holding Company after the Transaction would be reasonable for the business in which it is engaged, as management has indicated it is proposed to be conducted following the consummation of the Transaction (the "Reasonable Capital Test").

Executive Summary

Contents Of Report and Other Matters

For purposes of the Report, LTD Holding Company is valued on a going-concern (including goodwill) basis and on a pro forma basis, immediately after and giving effect to the Transaction and the associated indebtedness "Fair value" shall be defined as the amount that may be realized if LTD Holding Company's aggregate assets (including goodwill) are sold in their entirety with reasonable promptness in an arm's length transaction under present conditions for the sale of comparable business enterprises, as such conditions can be reasonably evaluated by Houlihan Lokey We have used the same valuation methodologies in determining the value of each of LTD Holding Company and the assets of LTD Holding Company, for purposes of the Report

The term "identified contingent liabilities" shall mean the stated amount of contingent liabilities identified to us and valued by responsible officers of the Company, upon whom we will rely without independent verification, no other contingent liabilities were considered

Being "able to pay its debts as they become absolute and mature" shall mean that, assuming the Transaction has been consummated as proposed, the Company's financial forecasts for the fiscal periods ending December 31, 2005 to 2007, in the form provided to Houlihan Lokey in writing (the "Projections") indicate positive cash flow for such period, including (and after giving effect to) (i) the payment of installments due under loans made pursuant to the indebtedness incurred in the Transaction, as such installments are scheduled at the close of the Transaction, after consideration of a commercially reasonable level of refinancing, and (ii) the anticipated dividend policy Sprint provided Houlihan Lokey certain financial projections though December 31, 2007 The extension for 2008 to 2010 was not developed by Sprint management and is not part of the projections approved by Sprint management nevertheless, Sprint does not believe that it is unreasonable for HL to utilize the extended forecasts for purposes of its evaluation

The professional fee for this engagement is not contingent upon the conclusions set forth in the Report

Executive Summary

Due Diligence Performed

Among other things, we

1. visited certain business offices of the Company and held meetings and discussions with certain members of the senior management of the Company to discuss the operations, financial condition, future prospects and projected operations and performance of the Company and the Transaction,
2. reviewed Sprint's Form 10-K for the fiscal years ending December 31 2003 and 2004,
3. reviewed the Local Telecommunications Division Closing & Scorecard Review of April 22, 2005 containing certain financial and operating data for the quarter ending March 31, 2005,
4. reviewed certain financial forecasts and budgets prepared by Sprint (collectively "the Projections"), including
   a the Local Telecommunications Division 2005-2007 Business and Financial Plan
   b the Local Telecommunications Division Financial Reports – 2004 Actuals and 2005 Budget
   c LTD Financial Projections – Consultant Package of May 12, 2005
   d LTD Capital Expenditures – Consumer, Business & Wholesale of May 17, 2005,
5. reviewed the Separation of Local Division – Rating Agency Overview and Rating Agency Financial Schedules of May 5, 2005,
6. reviewed certain data regarding historic access line counts for the quarters ending March 2000 through March 2005,
7. reviewed certain reports prepared by Sprint regarding competition in the Company's markets,
8. reviewed publicly available financial data for the Company and certain companies that we deem comparable to the Company,
9. reviewed Sprint's certificate regarding projections addressed to Houlihan Lokey, dated August 15, 2005, and
10. conducted other such studies, analyses and investigations as we have deemed appropriate.

Executive Summary

Limiting Conditions

We have relied upon and assumed, without independent verification, that the Projections have been reasonably prepared and reflect the best currently available estimates of the future financial results and condition of the Company, and that there has been no material adverse change in the assets, financial condition, business or prospects of the Company since the date of the most recent financial statements made available to us Although we have not independently verified the accuracy and completeness of the projections or their underlying assumptions, nothing has come to the attention of our personnel working on this engagement during the course thereof that has caused us to believe, based on our best professional judgment, that it was unreasonable for us to utilize and rely upon the projections as part of our analysis

We have not independently verified the accuracy and completeness of the information supplied to us with respect to the Company and do not assume any responsibility with respect to it We have not made any physical inspection or independent appraisal of any of the properties or assets of the Company All valuation methodologies that estimate the worth of an enterprise as a going-concern are predicated on numerous assumptions pertaining to prospective economic and operating conditions Our analysis is necessarily based on business, economic, market and other conditions as they exist and can be evaluated by us at the date of this Report Unanticipated events and circumstances may occur and actual results may vary from those assumed The variations may be material

Notwithstanding the use of the defined term "fair value", we have not been engaged to identify prospective purchasers or to ascertain the actual prices at which and terms on which the Company or the Company's assets can currently be sold Because the sale of any business enterprise involves numerous assumptions and uncertainties, not all of which can be quantified or ascertained prior to engaging in an actual selling effort, we express no opinion as to whether the Company would actually be sold for the amount we believe to be its fair value

This Report is furnished solely for the benefit of Sprint Nextel Corporation and does not constitute advice to any other person without our express, prior written consent This Report is delivered to each recipient subject to the conditions, scope of engagement, limitations and understandings set forth in this Report and our engagement letter with Sprint Corporation, and subject to the understanding that the obligations of Houlihan Lokey in the Transaction are solely corporate obligations, and no officer, director, employee, agent, shareholder or controlling person of Houlihan Lokey shall be subjected to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of you or your affiliates

Executive Summary

SUMMARY OF FINDINGS

The following findings are based upon the investigation, premises, provisos, and analyses outlined above, and more fully described in this Report

(A) The fair value of LTD Holding Company's assets, in the aggregate are reasonably stated in the range of [REDACTED] to [REDACTED],

(B) Assuming the Transaction will be consummated as proposed, immediately after and giving effect to the Transaction

(i) the fair value of LTD Holding Company's assets would exceed its stated liabilities and identified contingent liabilities,

(ii) LTD Holding Company should be able to pay its debts as they become absolute and mature, while (a) continuing to generate sufficient cash to re-invest in the business at a level indicated by the Company necessary to maintain the current level of service, and (b) paying dividends in accordance with the planned dividend policy which the Company believes is commensurate with industry peers and after consideration of a commercially reasonable level of refinancing, and

(iii) the capital remaining in LTD Holding Company after the Transaction would be reasonable for the business in which it is engaged, as management has indicated it is proposed to be conducted following the consummation of the Transaction

Executive Summary

SUMMARY OF FINDINGS (CONTINUED)

The following table summaries certain operating, valuation, and credit statistics of LTD Holding Company (giving effect to the Transaction where applicable) and of the selected comparable companies

Operating and Credit Statistics – LTD Holding Company versus Comparable Companies

(figures in millions)

	Operating Statistics				Credit Statistics				
	Access Line Decline 2003 - 2004	2004 Capex/ Revenue	EV/ 2005E EBITDA	Equity/ Total Capital	Debt/ 2004 EBITDA	2004 Interest Coverage	2004 Fixed Charge (1)	Indicated Dividend as a % of 2005E	Credit Rating (Moody's)
Citizens Communications	(2 8%)	12 6%	7 5x	51 4%	3 6x	3 1x	2 4x	64 6%	Ba3 (2)
CenturyTel Inc	(2 6%)	16 0%	6 0x	60 5%	2 4x	5 9x	4 1x	7 3%	Baa2 (3)
Valor Communications Group	(2 9%)	13 0%	7 9x	37 8%	5 9x	2 5x	1 9x	80 4%	NR (4)
Fairpoint Communications	(2 9%)	14 4%	8 5x	48 3%	4 2x	1 3x	1 0x	86 6%	B1 (5)
Iowa Telecommunications	(3 9%)	15 7%	8 6x	53 2%	4 1x	2 3x	1 7x	75 5%	Ba3 (6)
Commonwealth Telephone Enterprises	(1 6%)	13 0%	6 9x	72 0%	1 9x	10 7x	8 1x	43 0%	NR
LTD Holding Company	(2 9%)	17 9%	[REDACTED]x (7)	[REDACTED]% (7)	[REDACTED]x (7)	[REDACTED]x (7)	[REDACTED]x (7)	[REDACTED]% (7)	TBD
Comps Median	(2 8%)	13 7%	7 7x	52 3%	3 8x	2 8x	2 1x	70 1%	
Comps Mean	(2 8%)	14 1%	7 6x	53 9%	3 7x	4 3x	3 2x	59 6%	

(1) Adjusted for capitalized leases (EBITDA + Capitalized Interest - CapEx) divided by (Interest Expense + Capitalized Interest)
(2) Ba3 rating reflects Moody's rating for Senior Implied Issuer Bank Loan Debt and Senior Unsecured Debt, On July 7 2005 Moody's had withdrawn rating for Issuer
(3) Baa2 rating reflects Moody's rating for Senior Unsecured Debt Moody's does not have an Issuer rating
(4) On October 8, 2004, Moody's had withdrawn all ratings
(5) B1 rating reflects Moody's rating for Senior Implied Issuer and Bank Loan Debt, On July 7 2005 Moody's had withdrawn rating for Issuer
(6) Ba3 rating reflects Moody's rating for Senior Implied Issuer and Bank Loan Debt On July 7 2005 Moody's had withdrawn rating for Issuer
(7) Based on LTD Holding Company 2006 projected results LTD Holding Company total capital based on the midpoint of Houlihan Lokey's range LTD Holding Company total debt based on pro forma 6/1/2006 total debt of $7 25 billion Interest Coverage based on annualized projected 7 months results ended 12/31/06 with total interest expense of $[REDACTED]

Definitions

EV Enterprise Value market value of equity plus debt less cash
EBITDA Earnings before interest, taxes, depreciation and amortization
FCF Free Cash Flow EBITDA less cash taxes, interest expense, and capital expenditures
Interest Coverage EBITDA divided by interest expense

Executive Summary

SUMMARY OF FINDINGS (CONTINUED)

Based upon our analysis of LTD Holding Company and the selected comparable companies, as summarized above and further detailed later in this report, we make the following observations

- LTD Holding Company has experienced access line declines that are at approximately the median of the comparable companies
- LTD Holding Company's capital expenditures, measured as a percentage of revenues, have been above the median level of the comparable companies
- Pro forma for the Transaction, LTD Holding Company will have consolidated leverage of approximately [REDACTED]x total debt/EBITDA(1), [REDACTED]
- Owing to LTD Holding Company's size (approximately 3 times that of the largest comparable company) and diversity of wireline assets across 18 states, the company should enjoy enhanced access to capital as compared to the selected comparable companies
- Pro forma for the Transaction, LTD Holding Company is expected to have an interest coverage ratio (EBITDA/Interest Expense) of [REDACTED]x for the 7 months ended 12/31/06 on an annualized basis, which is [REDACTED] than the current median interest coverage ratios for the comparable companies of 2 8x
- Pro forma for the Transaction, and based upon the anticipated dividend policy, LTD Holding Company would be expected to pay out approximately [REDACTED]% - [REDACTED]% of its free cash flows in dividends over the projection period, which is [REDACTED] the median of 70% estimated for the comparable companies

(1) Based on pro forma total debt of $7 25 billion as of 6/1/06 and 2006E EBITDA of $[REDACTED]

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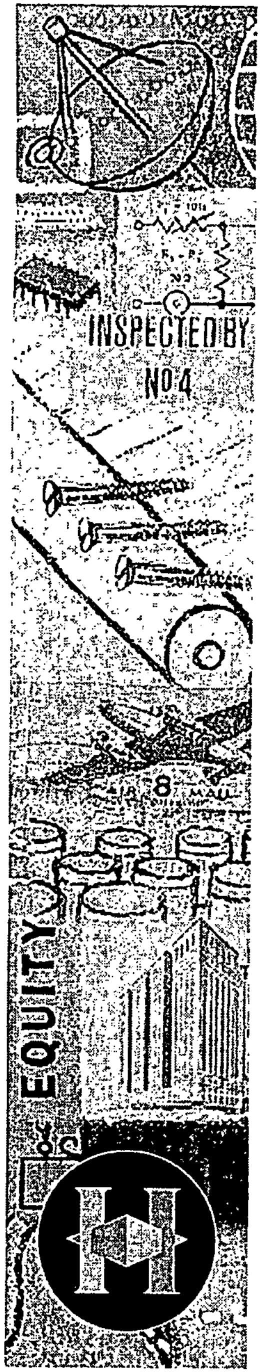

Transaction Overview

Transaction Overview

Transaction Description

LTD Holding Company Description

Sprint Nextel intends to separate Sprint's local telecom business, LTD Holding Company, to the combined shareholders in a tax-free transaction LTD Holding Company will consist of the following assets and/or arrangements

LTD Holding Company Businesses	
Local (ILEC)	❖ 7 5 million access lines in 18 states, primarily in rural areas ❖ Includes all local residential, business access lines in territory and wholesale customers
Long Distance	❖ Operating agreements with Sprint Nextel for distribution of long distance services for local customers
Wireless	❖ Operating agreements with Sprint Nextel for distribution of wireless services ◆ Future residential customers under MVNO agreement ◆ Business customers and high volume residential customers under agency contract
Sprint North Supply ("SNS")	❖ SNS is a supply chain integrator serving network service providers, manufacturers and resellers For 2004, services to LTD Holding Company Division accounted for $[REDACTED] out of total revenue of $[REDACTED]

Transaction Overview

Certain Definitions and Assumptions

Assumptions

- Unless otherwise noted, the income statement of LTD Holding Company is presented exclusive of SNS through "Telco EBITDA " EBITDA of SNS is included in total EBITDA All balance sheets are inclusive of SNS
- Assumed date of separation is June 1, 2006

Definitions

- EBITDA = Earnings Before Interest, Taxes, Depreciation & Amortization
- PF = Pro Forma
- FYE = Fiscal Year Ended (FY = Fiscal Year)

Transaction Overview

TRANSACTION OVERVIEW

DEBT STRUCTURE

- We understand that concurrent with LTD Holding Company's separation, the resulting Company will be supporting approximately $7 25 billion in debt
- The Company's post-Transaction debt structure is summarized in the table below

Post Transaction Debt Structure

($ in millions)	**Pro Forma**
Existing Debt	[REDACTED]
Existing Debt - Note to Sprint Parent	
Existing Debt - External	
Existing Debt - Centel	
Subtotal	
New Debt	
Bank Debt	
New Notes	
Subtotal	
Total	**$7,250**

Transaction Overview

TRANSACTION OVERVIEW (CONTINUED)

DIVIDEND POLICY

- After the separation, we further understand that the Company intends to institute an annual dividend policy, paid quarterly The annual dividend is projected to start at a pro-rata share of $300 million in 2006, and [REDACTED]% per year The partial year 2006 dividend payment is estimated at $175 million, with an estimated full-year dividend of $[REDACTED]in 2007, with the dividend [REDACTED]% per year thereafter

Dividend Payments

($ in millions)

	2006	2007	2008	2009	2010
Annualized First Year Dividend	$300	[REDACTED]			
Partial Year Adjustment (7 out of 12 months)	58%				
Dividends Paid	$175				
Growth Rate					

Transaction Overview

Financial Projections

Income Statement – Historical and Projected

FYE December 31,	2003PF	2004PF	2005E	2006E	7 mths ended 12/31/06E	2007E	12/31/08E	12/31/09E	12/31/10E
Average access lines									
Voice ARPU									
Average DSL Lines									
DSL ARPU									
REVENUE									
Voice									
Data									
Equipment & Other Revenue									
Access Revenue									
Wholesale Revenue									
Intradivisional Revenue									
Business LD, Wireless, and Other Revenue									
Telco Revenue									
Telco Revenue Growth									
EXPENSES									
Cost of Revenue									
Operating expenses									
Sales & Marketing									
CSO									
Network									
Information Services									
Support & Other									
Business LD, Wireless, and Other Expenses									
Total operating expenses									
% of revenue									
Telco EBITDA									
% margin									
Plus North EBITDA									
Total EBITDA									

[REDACTED]

Transaction Overview

FINANCIAL PROJECTIONS (CONTINUED)

Income Statement – Historical and Projected (continued)

FYE December 31,	2003PF	2004PF	2005E	2006E	7 mths ended 12/31/06E	2007E	12/31/08E	12/31/09E	12/31/10E
Total EBITDA									
Total Depreciation									
% of revenue									
EBIT									
% margin									
Interest Expense, Net									
Restructuring and Asset Impairments									
Other Income (expense), net									
Pre-tax Income									
Taxes									
Net Income									
% margin									

[REDACTED]

Transaction Overview

FINANCIAL RESULTS

PRO FORMA OPENING BALANCE SHEET

- A 12/31/04 actual balance sheet was provided by the Company
- The following adjustments were made to estimate the Company's balance sheet as of 6/1/06
  - 12/31/04 – 12/31/05
    - Changes in Net PP&E and Debt Payments Assumed an $[REDACTED] cash distribution [REDACTED] Sprint during this time period and is reflected as a [REDACTED] in shareholders equity
    - Net Other Assets [REDACTED] by $[REDACTED] and retained earnings by $[REDACTED]
  - 12/31/05 – 6/1/06
    - Changes in Net PP&E and Debt Payments The $[REDACTED] Sprint is [REDACTED] with an associated [REDACTED] to cash.
    - Net $[REDACTED] in other current liabilities
    - Assumed cash is used to settle net obligations to Sprint Company [REDACTED] cash balance of $[REDACTED] with remaining $[REDACTED] to Sprint
- The following adjustments were made to the balance sheet at 6/1/06 to give effect to the Transaction
  - The Company expects to [REDACTED] in bank debt, reflected as an [REDACTED] in cash and debt The Company also expects to [REDACTED] in [REDACTED] notes, with an associated [REDACTED] in retained earnings
  - The Company expects to [REDACTED] note to Sprint, with an associated [REDACTED] in cash
  - The Company expects to [REDACTED] Sprint, a cash [REDACTED] to retained earnings.
- As of 6/1/06, after giving effect to the Transaction, the Company is projected to have $[REDACTED] cash and $7.25bn in total debt

Transaction Overview

FINANCIAL RESULTS (CONTINUED)

The following table shows the adjustments made to the Company's 12/31/04 actual balance sheet to arrive at a Pro Forma opening balance sheet, reflecting the impact of the Transaction

Pro Forma Opening Balance Sheet 6/1/06

($ millions)

	12/31/04A	Adj	12/31/05E	Adj	6/1/06E	Debt	Parent Debt	Distr	Pro Forma 6/1/2006
Current Assets									
Cash & Equivalents									
Advance Receivables from Sprint Corporation									
Other									
Total current assets									
Gross PP&E									
Accumulated Depreciation									
PP&E, Net									
Other Assets									
Total Assets									
Current Liabilities									
Other									
Total current liabilities									
Bank Debt (New)									
New Debt - Notes									
Existing Debt - Note to Sprint Parent									
Existing Debt - External									
Existing Debt - Centel									
Total Debt									
Deferred income taxes									
Postretirement and other benefit obligations									
Other									
Total Non-current liabilities									
Total shareholders' equity									
Total Liabilities & Shareholders' Equity									

[REDACTED]

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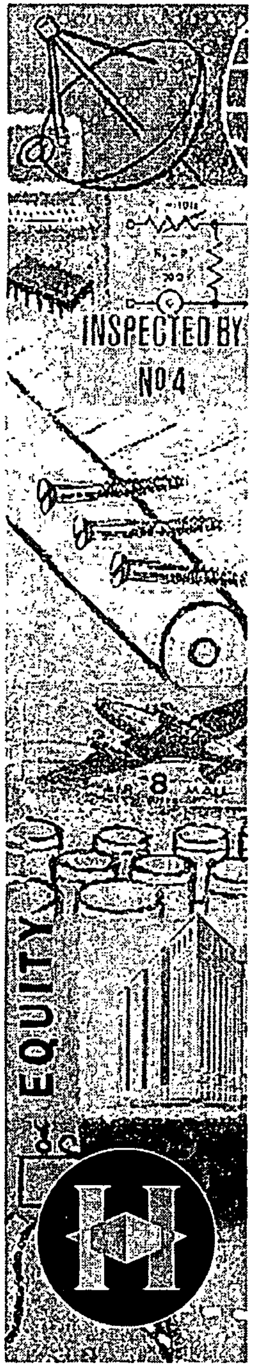
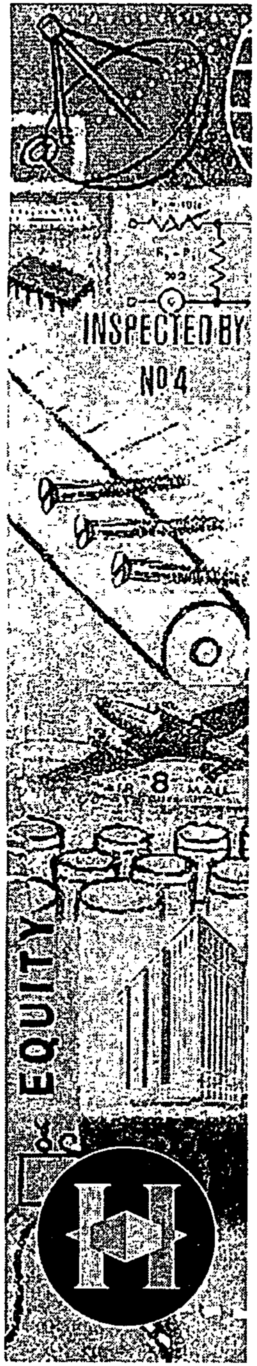


Telecommunications Industry Analysis



Telecommunications Industry Analysis

Comparable Companies Analysis

Comparable Companies Analysis

Comparable Company Selection

- As an incumbent local exchange carrier, LTD Holding Company has the following universe of potential comparable companies that are publicly traded

Rural Local Exchange Carriers (RLECs)		Regional Bell Operating Carriers (RBOCs)
Alaska Communications	Hickory Technology	BellSouth
ALLTEL	Iowa Telecom	Qwest Communications
Atlantic Tele-Network	Lynch Interactive	SBC
CenturyTel	New Ulm Telecom	Verizon
Cincinnati Bell Telephone Co	North Pittsburgh Systems	
Citizens Communications	Otelco	
Commonwealth Telephone Enter	Shenandoah Telecommunications	
CT Communications	Surewest Communications	
D&E Communications	Telephone and Data Systems	
Fairpoint Communications	Valor Communications Group	
Hector Communications	Warwick Valley Telephone Co	

Comparable Companies Analysis

Comparable Company Selection (continued)

- Our analysis to identify the most relevant comparable companies to LTD Holding Company is primarily based on the following criteria:

  (1) Size – We believe that Large Cap service providers have a different risk profile than Small to Mid Cap service providers
  - Liquidity – Trading volume is more limited for Small to Mid Cap
  - Business Risk – The advantages/disadvantages of Economies of Scale
  - Investor Base – Different profiles for Large Cap funds versus Small-Mid Cap funds

  (2) Rural Market Exposure – Rural market differ from Urban markets due to the following
  - Lower level of competition/ Higher barriers to enter
  - Regulatory framework

  (3) Non-Core Assets – The existence of significant non-core (non-ILEC) assets affects valuation statistics
  - Verizon owns 55% of Verizon Wireless and recently announced the acquisition of MCI
  - SBC owns 60% of Cingular Wireless and recently announced the acquisition of AT&T
  - BellSouth owns 40% of Cingular Wireless
  - Qwest owns a nationwide long haul network
  - Various RLECs own various wireless assets/ partnerships

Comparable Companies Analysis

Comparable Company Selection – Large Cap RLECs

❖ The following table summarizes wireline/wireless mix and non-core assets for large cap RLECs with an EV greater than $1 billion

Large Cap RLECs Wireless Mix and Non-Core Assets
($ in millions)

Company Name	EV	Lines Ownership		% of Total Lines		Non-Core Assets [1]			Minority
		Wireline	Wireless	Wireline	Wireless	$	% [2]	Comments	Interests
Large Cap									
ALLTEL	$22,991	2,983,250	8,801,285	25%	$\boxed{75\%}$	$318	1%	Unconsolidated partnerships and equity securities	$0
Citizens Communications	8,490	2,298,510	0	100%	0%	20	0%	Marketable equity securities and investments	0
CenturyTel	7,390	2,298,491	0	100%	0%	42	1%	Estimated value of unconsolidated cellular partnership	8
Telephone and Data Systems	3,522	1,087,300	5,127,000	17%	$\boxed{83\%}$	221	6%	Unconsolidated partnerships	512 [3]
Cincinnati Bell Telephone Co	3,220	959,900	479,000	67%	$\boxed{33\%}$	0	0%	None	35
Valor Communications Group	2,126	537,002	0	100%	0%	18	1%	Unconsolidated cellular partnership and RTFC certificates	0
Fairpoint Communications	1,150	239,250	0	100%	0%	0	0%	Wireless partnership and non-marketable securities	0
Commonwealth Telephone Enter	1,166	471,133	0	100%	0%	10	1%	Rural Telephone Bank Stock and Yellow Book partnership	0
Iowa Telecommunications	1,086	266,400	0	100%	0%	14	1%	Investment in RTFC	0

Source Company filings and press releases
Note Enterprise Values are as of 7/1/2005 Lines ownership as of 3/31/05
(1) Non-core assets based on book value unless stated otherwise
(2) Non-core assets as a percent of EV plus non-core assets
(3) Primarily the 18% minority interest in US Cellular which is not owned by TDS

➤ Given their significant wireless assets, Alltel, TDS, and Cincinnati Bell will be excluded from our selected comparable companies

Comparable Companies Analysis

Comparable Company Selection – Small – Mid Cap RLECs

❖ The following table summarizes wireline/wireless mix and non-core assets for small – mid cap RLECs with an EV lower than $1 billion.

Small – Mid Cap RLECs Wireless Mix and Non-Core Assets
($ in millions)

Company Name	EV	Lines Ownership		% of Total Lines		Non-Core Assets (1)			Minority Interests
		Wireline	Wireless	Wireline	Wireless	$	% (2)	Comments	
Small - Mid Cap									
Alaska Communications	$807	289,169	102,279	74%	26%	$0	0%	None	$0
Surewest Communications	471	131,133	52,887	71%	29%	0	0%	None	0
D&E Communications	357	178,008	0	100%	0%	0	0%	None	0
Otelco	242	33,624	0	100%	0%	1	1%	Not Disclosed	0
Shenandoah Telecommunications	328	24,802	106,924	19%	81%	7	2%	Investments in start-up companies	0
North Pittsburgh Systems	262	109,508	0	100%	0%	15	5%	Investments in PA wireless partnerships	0
CT Communications	281	158,133	0	100%	0%	17	6%	22% ownership in Palmetto MobileNet (wireless)	0
Lynch Interactive	199	53,963	0	100%	0%	11	5%	Equity investments in broadcasting and telecom companies, and 2 cellular partnerships	11
Hickory Technology	202	73,635	0	100%	0%	3	1%	RTFC certificates	0
Hector Communications	110	29,369	0	100%	0%	19	15%	8% ownership in Midwest Holdings at book value and investment in 3 fiber optic transport companies	0
Atlantic Tele-Network	118	106 000	0	100%	0%	10	8%	Note disclosed	21
Warwick Valley Telephone Co	118	29,602	0	100%	0%	5	4%	Wireless partnership	0
New Ulm Telecom	45	17,000	0	100%	0%	18	29%	10% ownership in Midwest Holdings and Local Multipoint Distribution Services	0

Source Company filings and press releases
Note Enterprise Values are as of 7/1/2005 Lines ownership as of 3/31/05
(1) Non-core assets based on book value unless stated otherwise
(2) Non-core assets as a percent of EI plus non-core assets

❖ Size is the primary reason for excluding the above companies from selected comparable companies.

- Alaska Communications with an EV of $807 million is closest in size to our size threshold However, given its wireless ownership and unique region, it would not be a good comparable company
- All other public RLECs trade at an EV that is lower than $500 million

Comparable Companies Analysis

Comparable Company Selection – RBOCs

- The following table summarizes wireline/wireless mix and non-core assets for RBOCs.

RBOCs Wireless Mix and Non-Core Assets
($ in millions)

Company Name	EV	EV Comments	Lines Ownership Wireline	Lines Ownership Wireless	% of Total Lines Wireline	% of Total Lines Wireless	Non-Core Assets (1) $	Non-Core Assets (1) % (2)	Non-Core Assets (1) Comments	Minority Interests
RBOC										
BellSouth	$44,984	Excludes Cingular Wireless	15,075,000	20,160,000 (3)	43%	57%	$22,265	33%	Investment in and advances to Cingular	$0
Qwest	21,609	-	9,131,000	0	100%	0%	0	0%	None	0
SBC	70 886	Excludes Cingular Wireless	27,440,000	30,240,000 (3)	48%	52%	34,816	33%	Investment in and advances to Cingular	0
Verizon	145,261	Includes 100% of Verizon Wireless	33,644,000	24,998,600 (4)	57%	43%	5,817	4%	Value of ownership of Verizon Wireless and marketable securities	24,754 (5)

Source Company filings and press releases
Note Enterprise Values are as of 7/1/2005 Lines ownership as of 3/31/05
(1) Non-core assets based on book value unless stated otherwise
(2) Non-core assets as a percent of EV plus non-core assets
(3) Represents proportionate Cingular subscribers based on 60% and 40% ownership by SBC and BellSouth, respectively
(4) Represents proportionate Verizon Wireless subscribers based on 55% ownership
(5) Represents Vodaphone's 45% ownership in Verizon Wireless

- BellSouth, SBC, and Verizon all have significant wireless assets
  - Both Cingular and Verizon Wireless are private companies, which makes it difficult to extract public market value for ILEC assets
  - In addition, pending SBC/ AT&T and Verizon/ MCI combinations will further differentiate these companies from LTD Holding Company
- Qwest owns a nationwide long haul network as part of its core assets that is not comparable with LTD Holding Company
- We have excluded the RBOCs from selected comparable companies due to
  - (1) Lack of market value for pure wireline ILEC assets, and
  - (2) RBOCs operate in highly competitive environment as a result of their high metro/urban exposure
- Approximately a third of LTD Holding Company lines are in metro/urban areas (primarily in Las Vegas and Orlando)

Comparable Companies Analysis

Comparable Company Selection Results

- Our comparable company selection process resulted with the following six RLECs

Selected Comparable Public RLECs
($ in millions)

Company	Ticker Symbol	2004 Revenue	12/31/04 Access Lines
Citizens Communications	CZN	$2,193	2,320,772
CenturyTel	CTL	2,407	2,313,626
Valor Communications Group	VCG	505	540,337
Fairpoint Communications	FRP	253	239,274
Iowa Telecommuncations	IWA	221	267,000
Commonwealth Telephone Enter	CTCO	336	471,842
LTD Holding Company		**$6,020**	**7,667,988**

Source Company filings

- Please see the "Selected Comparable Companies" for a description of selected comparable companies

Comparable Companies Analysis

COMPARABLE COMPANY CREDIT RATIOS AND RATINGS

- The following table illustrates credit ratios based on Moody's Rating Methodology for Comparable Public RLECs with their respective credit ratings
  - Owing to LTD Holding Company's size (approximately 3 times that of the largest comparable company) and diversity of wireline assets across 18 states, the company should enjoy enhanced access to capital as compared to the selected comparable companies:
- We understand that Sprint has obtained indicative ratings for LTD Holding Company from major ratings agencies.

The following credit ratios are based on specific Moody's methodologies and will differ from other figures in the presentation. In particular, financial metrics were adjusted for operating lease commitments

Comparable Company Credit Ratios and Ratings
($ in millions)

	Leverage				Return on Assets	Coverage		Credit Rating		
2004 Credit Metrics	Debt / EBITDA	RCF / Debt	FCF / Debt	Debt / Cap	EBITA / Avg Assets [1]	After Tax Interest Coverage	Fixed Charge Coverage [2]	Moody's	Fitch	S & P
Citizens Communications	3 7x	12.4%	6 0%	48 6%	10 5%	3 0x	2.4x	Ba3 [3]	BB	BB+
CenturyTel	2 4x	26.3%	13.5%	39 5%	9 5%	4 9x	4 1x	Baa2 [4]	BBB+	BBB+
Valor Communications Group	5 9x	9 9%	5 9%	62 2%	9 3%	2 4x	1 9x	NR [5]	NR	BB-
Fairpoint Communications	4 3x	5.8%	(0 2%)	51 7%	10 9%	1.3x	1 0x	B1 [6]	NR	BB-
Iowa Telecommuncations	4 1x	11 8%	7 1%	46 8%	9 6%	2.3x	1 7x	Ba3 [7]	NR	BB-
Commonwealth Telephone Enter	1 9x	13 8%	23 4%	28 0%	13.3%	8 4x	8 1x	NR	NR	NR
Median	3.9x	13 1%	6 6%	47 7%	10 0%	2 7x	2 1x	NA	NA	NA
Mean	3 7x	13.7%	9.3%	46 1%	10.5%	3 7x	3.2x	NA	NA	NA
LTD Holding Company [8]	[REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]x	[REDACTED]x	[REDACTED]	[REDACTED]	[REDACTED]

Definitions

Debt. Short-term debt + Long-term debt + Capitalized Leases (on balance sheet) + Capitalized Operating Leases

FFO EBITDA - Interest Expense Taxes

FCF EBITDA Interest Expense - Taxes - CapEx - Preferred Dividends Common Dividends

RCF EBITDA Interest Expense Taxes Preferred Dividends Common Dividends

Average Assets Average total assets + PV of operating leases

After Tax Interest Coverage (EBITDA Taxes) divided by (Interest Expense + Capitalized Interest)

Fixed Charge Coverage (EBITDA Taxes CapEx) divided by (Interest Expense + Capitalized Interest)

Source: Moody's Rating Methodology February 2005 Company Filings Bloomberg and Wall Street research

(1) CenturyTel Valor Fairpoint and Commonwealth do not disclose the breakdown between Depreciation and Amortization EBITA is represented by EBIT

(2) Adjusted for capitalized leases (EBITDA + Capitalized Interest CapEx) divided by (Interest Expense + Capitalized Interest)

(3) Ba3 rating reflects Moody's rating for Senior Implied Issuer Bank Loan Debt, and Senior Unsecured Debt On July 7 2005 Moody's had withdrawn rating for Issuer

(4) Baa2 rating reflects Moody's rating for Senior Unsecured Debt Moody's does not have an Issuer rating

(5) On October 8 2004 Moody's had withdrawn all ratings

(6) B1 rating reflects Moody's rating for Senior Implied Issuer and Bank Loan Debt On July 7 2005 Moody's had withdrawn rating for Issuer

(7) Ba3 rating reflects Moody's rating for Senior Implied Issuer and Bank Loan Debt On July 7 2005 Moody's had withdrawn rating for Issuer

(8) Based on LTD Holding Company 2006 estimates LTD Holding Company total capital based on the midpoint of Houlihan Lokey's range LTD Holding Company total debt based on pro forma 8/1/2006 total debt of $7 25 Billion before adjustment for leases Interest expense before adjustment for leases of $[REDACTED] million based on 7 months ending 12/31/2005 annualized Taxes of $[REDACTED] million based on 7 months ending 12/31/2006 annualized.

PUBLIC VERSION

Comparable Companies Analysis

COMPARABLE PUBLIC RLECs DIVIDEND ANALYSIS

RLEC Comparable Companies – Dividend Analysis

($ in millions)

Company	Share Price as of 7/1/2005	Last Quarter Dividend/ Share	Indicated Annual Dividend	Indicated Dividend Yield	Pro Forma Dividend Paid 2004	Pro Forma Dividend Paid LQA	Pro Forma Dividend Paid 2005E [2]	FCF before Dividends [1] 2004	FCF before Dividends [1] LQA	FCF before Dividends [1] 2005E [2]	Dividend Paid as % of FCF before Dividends 2004	Dividend Paid as % of FCF before Dividends LQA	Dividend Paid as % of FCF before Dividends 2005E [2]
Citizens Communications	$13 45	$0 25	$1 00	7 4%	$250 [3]	$340	$341	$535	$658	$527	46 7%	51 7%	64 6%
CenturyTel	34 76	0 06	0 24	0 7%	32	32	32	724	572	431	4 4%	5 7%	7 3%
Valor Communications Group	13 80	0 18 [4]	1 44	10 4%	NA	102 [5]	102	92	96	127	NA	105 6%	80 4%
Fairpoint Communications	16 02	0 23 [6]	1 59	9 9%	NA	56 [7]	56	23	50	64	NA	110 9%	86 6%
Iowa Telecommuncations	18 75	0 41	1 62 [8]	8 6%	NA	50 [8]	50	42	69	66	NA	72 9%	75 5%
Commonwealth Telephone Enter	42 22	0 00	2 00	4 7%	NA	42 [9]	32	95	114	74	NA	37 0%	43 0%
Mean				7 0%							25 6%	64 0%	59 6%
Median				8 0%							25 6%	62 3%	70 1%
High				10 4%							46 7%	110 9%	86 6%
Low				0 7%							4 4%	5 7%	7 3%
Memo S&P 500				*1 8%*									
Memo Nasdaq				*0 5%*									

Source Company filings
Note Financial results presented are as of March 31 2005
(1) Free Cash Flow before Dividends is defined as EBITDA less CapEx less cash interest expense less taxes
(2) Based on Wall Street research
(3) Excludes initial dividend of payment of $2 00 per share
(4) Actual 1st quarter dividend declared was pro-rata for period between IPO date (2/9/2005) and end of the first quarter ending 3/31/2005, totaling $0 18 per share versus the indicated quarterly dividend of $0 36 per share
(5) Figure shown is pro-forma for first full quarter dividend payment annualized
(6) Actual 1st quarter dividend distribution was pro-rata for period between IPO date (2/4/2005) and end of first quarter ending 3/31/2004 totaling $0 23 per share versus the indicated quarterly dividend of $0 3975 per share
(7) Figure shown is pro-forma for first full quarter dividend payment annualized actual cash payment of dividends for 1Q05 was $7 8 million.
(8) Total dividend distributionsof $12 5 million were declared on March 15 2005 and paid on April 15 2005
(9) Commonwealth declared an initial dividend of $13 00 and stated a $2 00 recurring annual dividend in quarterly payments Figure shown is pro-forma for first full quarter dividend payment annualized exclusive of initial dividend.

PUBLIC VERSION

Houlihan Lokey Howard & Zukin Financial Advisors, Inc

Comparable Companies Analysis

Comparable Company Line Losses Analysis

- LTD Holding Company's access line loss in 2003 and 2004 are at approximately the median level for the comparable companies.
- LTD Holding Company's forecast for 2005 and 2006 assumes access line losses [REDACTED] of the median of the estimate by research analysts for the comparable companies

RLECs Access Line Analysis

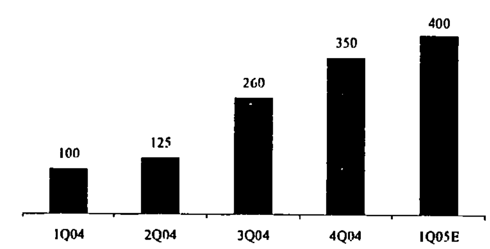
Company	Ending Access Lines					Access Line Losses (% change, year over year)			
	2002	2003	2004	2005E (1)	2006E (1)	2003	2004	2005E (1)	2006E (1)
Citizens Communications	2,444,400	2,386,500	2,320,772	2,226,000	2,126,000	(1 9%) (2)	(2 8%)	(4 1%)	(4 5%)
CenturyTel	2,414,564	2,376,118	2,313,626	2,242,944	2,159,000	(1 6%)	(2 6%)	(3 1%)	(3 7%)
Valor Communications Group	571,308	556,745	540,337	522,043	498,078	(2 5%)	(2 9%)	(3 4%)	(4 6%)
Fairpoint Communications	241,613	246,371	239,274	239,984	232,894	(3 5%) (3)	(2 9%)	(5 3%) (4)	(3 0%)
Iowa Telecommuncations	271,900	266,000	267,000	263,800	262,600	(3 3%) (5)	(3 9%) (5)	(4 6%) (5)	(3 8%) (5)
Commonwealth Telephone Enter	464,498	477,129	471,842	462,900	452,300	0 2% (6)	(1 6%) (6)	(2 1%) (6)	(2 5%) (6)
Mean						(2.1%)	(2.8%)	(3 7%)	(3 7%)
Median						(2 2%)	(2 8%)	(3 7%)	(3 8%)
High						0 2%	(1 6%)	(2 1%)	(2 5%)
Low						(3.5%)	(3 9%)	(5 3%)	(4.6%)
LTD Holding Company	8,076,875	7,897,451	7,667,988	[REDACTED]	[REDACTED]	(2 2%)	(2.9%)	[REDACTED]%	[REDACTED]%

Source Company filings and press releases
(1) Based on Wall Street Research
(2) Adjusted to exclude divestiture of 11,000 lines in 2003
(3) Adjusted to exclude the acquisition of 13,280 lines in 2003
(4) Adjusted to exclude the acquisition of 7,260 lines in 2005
(5) Adjusted to exclude reported CLEC lines of 1 000, 4 100 and 15 200 for years ended 2002, 2003, and 2004, respectively Also excludes expected CLEC lines of 23,500 and 31,400 for years ended 2005 and 2006, respectively
(6) Adjusted to exclude reported CLEC lines of 126 700 138 667, and 138 820 for years ended 2002 2003, and 2004, respecectively Also excludes expected CLEC lines of 136,900 and 134,400 for years ended 2005 and 2006 respectively

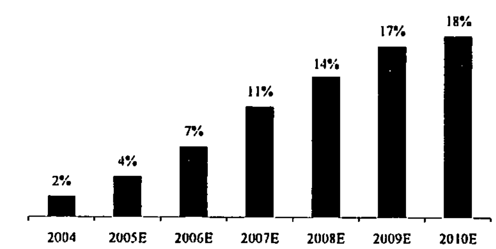
Comparable Companies Analysis

Exposure to Cable Voice Competition

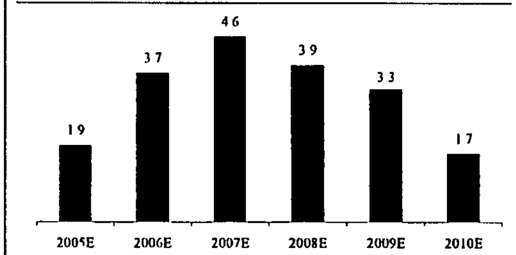
- Recent trends suggest an accelerated roll-out of cable telephony over the next 3 years
  - It is estimated that cable operators added almost 400k telephony customers during 1Q05 versus approximately 100k during 1Q04
- By 2010, Cable operators are expected to gain approximately 18% of consumer access lines



Cable Telephony Net Adds
(in thousands)



U.S. Cable Telephony Penetration
(% of Consumer Lines)



Cable Telephony Net Adds
(in millions)

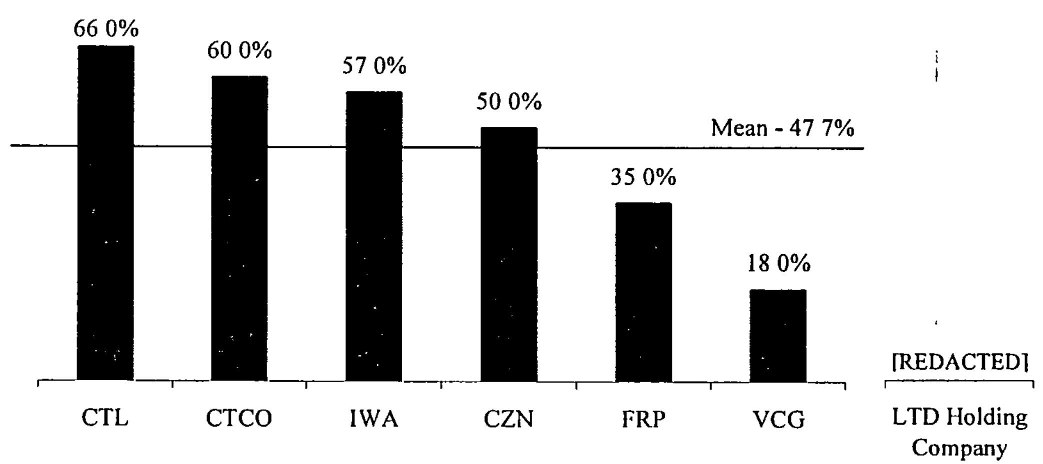
Source Deutsche Bank research report, May 19, 2005

Comparable Companies Analysis

EXPOSURE TO CABLE VOICE COMPETITION (CONTINUED)

- As a result of the recent launch of VoIP services by cable providers, current consumers will benefit from
  - (1) Increase of alternative service providers
  - (2) Lower pricing due to increased competition
- As of year-end 2004, cable providers were offering voice services in areas covering 15% of LTD Holding Company's residential lines
- The following chart illustrates potential exposure to cable voice services by tier-1 cable MSOs[1]

Potential Exposure to Cable VoIP (MSOs with HSD ready households)
(% of residential lines)



Source Company information and JP Morgan Research Report and April 21, 2005

[1] *Tier-1 cable MSO's includes Comcast, Time Warner, Cox, Charter, Adelphia, Cablevision, Insight, and Mediacom*

Comparable Companies Analysis

EXPOSURE TO WIRELESS SUBSTITUTION

- Recent trends suggest that wireless substitution, as a replacement to landline, is the driver for the majority of primary residential access line losses
  - It is currently estimated that 6-7% of households have already "cut the cord"
  - Given that ILECs are still reporting significant line losses although they are (1) winning back UNE-P lines, (2) adding coverage due to new housing starts, and (3) cable telephony is still in its infancy, wireless substitution can be the only explanation for most of the primary residential access line losses

Wireless Substitution of Primary Consumer Access Lines
(Access Lines in thousands)

	1Q04	2Q04	3Q04	4Q04	1Q05
Total ILEC - Primary Line Losses	(913)	(1,382)	(465)	(681)	(630)
Add New Housing Starts	(425)	(540)	(550)	(500)	(450)
Opportunity Loss	(1,338)	(1,922)	(1,015)	(1,181)	(1,080)
Less UNE-P	475	455	(190)	(585)	(788)
Opportunity loss including UNE-P effect	(863)	(1,467)	(1,205)	(1,766)	(1,868)
Less Cable Telephony	121	126	217	335	388
Less VoIP	102	120	165	200	250
Cable/ VoIP	223	246	382	535	638
Wireless Substitution	**640**	**1,221**	**823**	**1,231**	**1,230**
Wireless Substitution as % of Opportunity loss including UNE-P effect	**74%**	**83%**	**68%**	**70%**	**66%**

Source Deutsche Bank report dated 5/19/2005

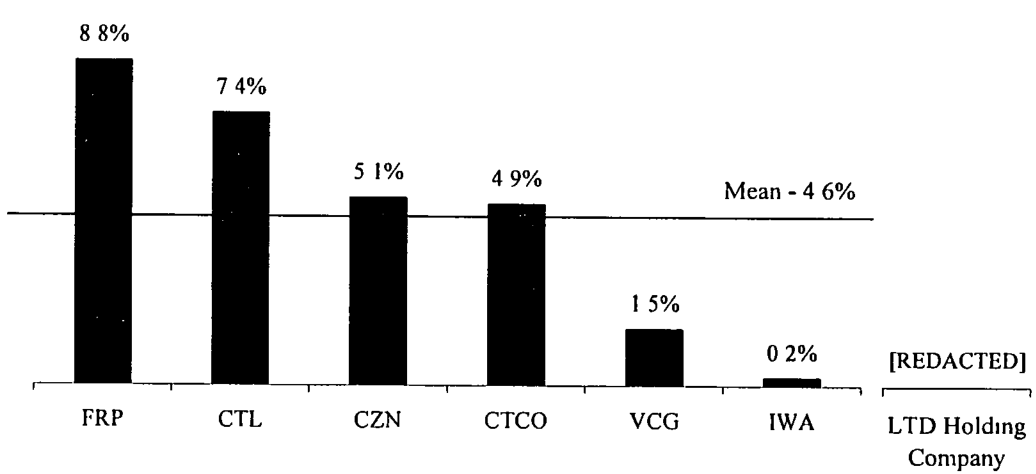
- In urban markets, RBOCs are expected to lose 20-25% of primary residential lines to wireless substitution by 2010
- In rural areas that are less exposed to wireless substitution because of partial and inconsistent wireless coverage, RLECs are expected to lose 15-20% of primary residential lines to wireless substitution by 2010
- As approximately a third of its lines are in urban areas, LTD Holding Company is more exposed to wireless substitution than its RLEC peers

Comparable Companies Analysis

EXPOSURE TO FEDERAL USF

- Federal USF system is currently under pressure due to the imbalance between sources of funding and funding requirements
- Federal USF contributes approximately [REDACTED]% of LTD Holding Company's revenue, compared with a peer mean of 4 6%
- As such, LTD Holding Company is [REDACTED] exposed to Federal subsidies and should be [REDACTED] impacted by the overhang from regulatory risk
- The following table illustrates exposure to Federal USF revenue

Exposure to Federal USF[1]
(as % of 2004 Revenue)



Source Company information, Company filings for year ended 12/31/2004, third party Wall Street research, and Telcordia Technologies report dated 7/2/05 of LongForm Tariff Review Plans

(1) Excludes CALLS USF revenue for CenturyTel, Citizens, Valor, Iowa, and LTD Holding Company

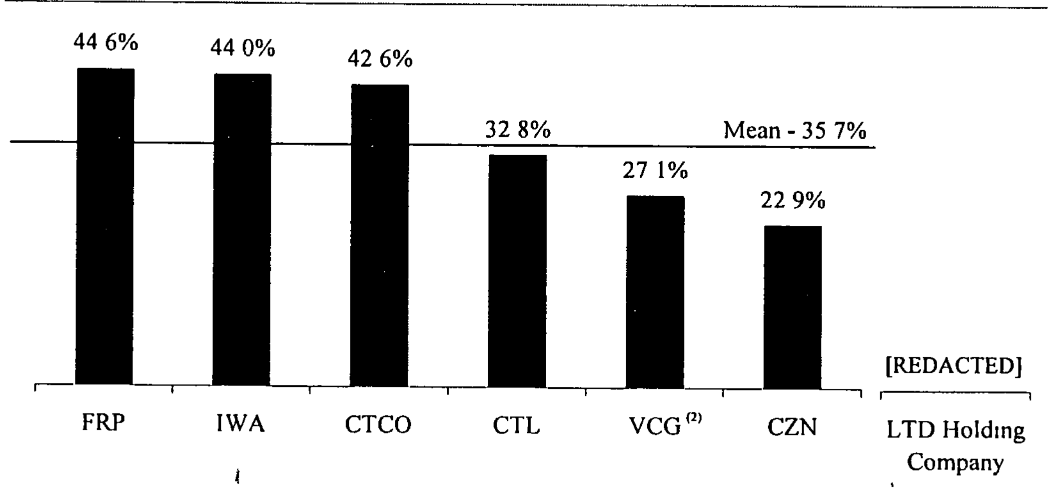
Comparable Companies Analysis

Exposure to Access Revenues

- Access revenues are exposed to regulatory risk as access regime reform proposals are being considered by the FCC
- Access revenue contributes approximately [REDACTED]% of LTD Holding Company's revenue, compared with a peer mean of 35 7%, making LTD Holding Company [REDACTED] exposed to regulatory risk due to access revenue

Exposure to Access Revenues[1]

(as a % of 2004 Revenue)



Source Company information, Company filings for year ended 12/31/2004, third party Wall Street research, and Telcordia Technologies report dated 7/2/05 of LongForm Tariff Review Plans

(1) Includes CALLS USF revenue for CenturyTel, Citizens, Valor, Iowa, and LTD Holding Company

(2) Includes special access revenue

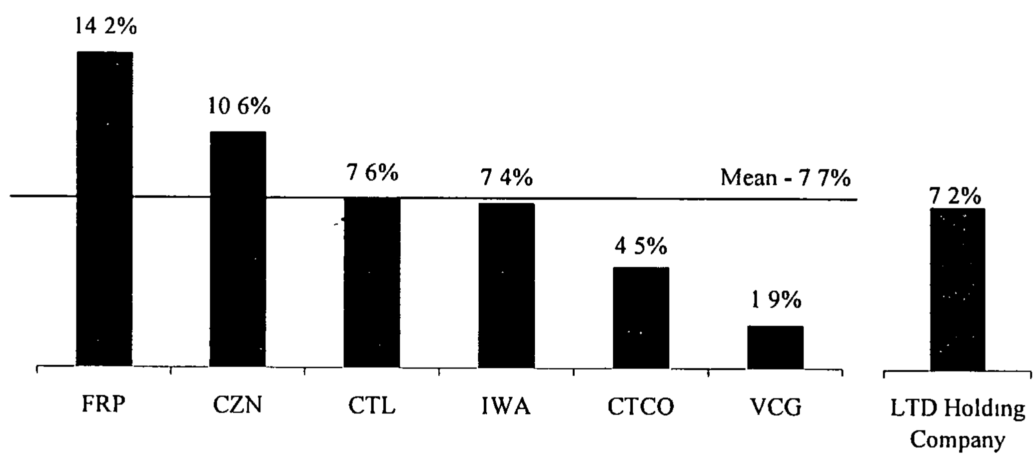
Comparable Companies Analysis

DSL Penetration

- DSL presents an opportunity for local carriers to tap a new revenue stream and significantly improve churn
- As the industry mean for DSL penetration is approximately 7 7%, LTD Holding Company's penetration is in line with its peers

DSL Penetration[1]

(as of 3/31/2005)



(1) DSL Penetration is defined as DSL lines / Total Access Lines

Source Company filings or Earnings release for quarter ending 3/31/2005

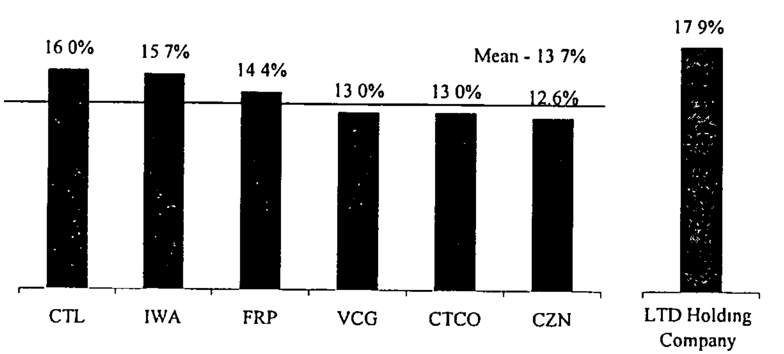
PUBLIC VERSION

Comparable Companies Analysis

COMPARABLE COMPANY CAPITAL INTENSITY

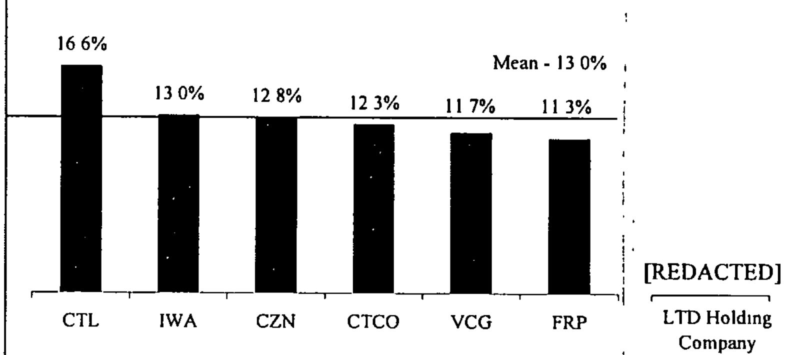
- While historically LTD Holding Company's capital intensity was [REDACTED] its peer group, going forward it is expected to be [REDACTED]
- In 2005, LTD Holding Company expects to [REDACTED] the capital expenditure to revenue ratio to approach the levels forecasted for the comparable companies [REDACTED]

2004 CapEx as % of Revenue

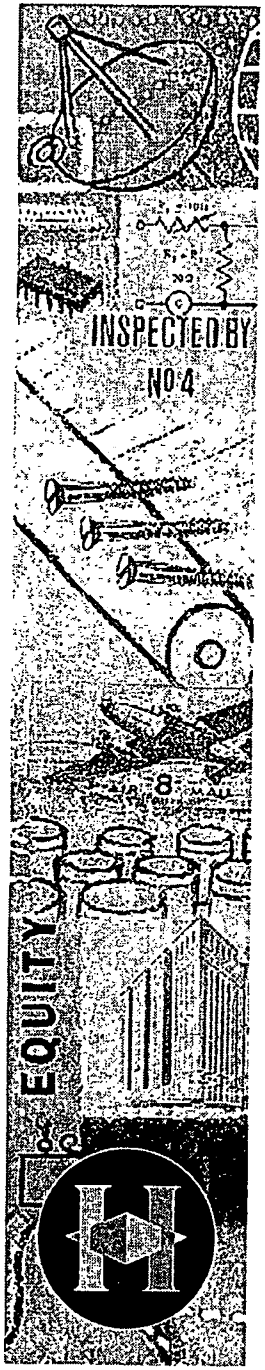


Source Company filings for year ended 12/31/2004

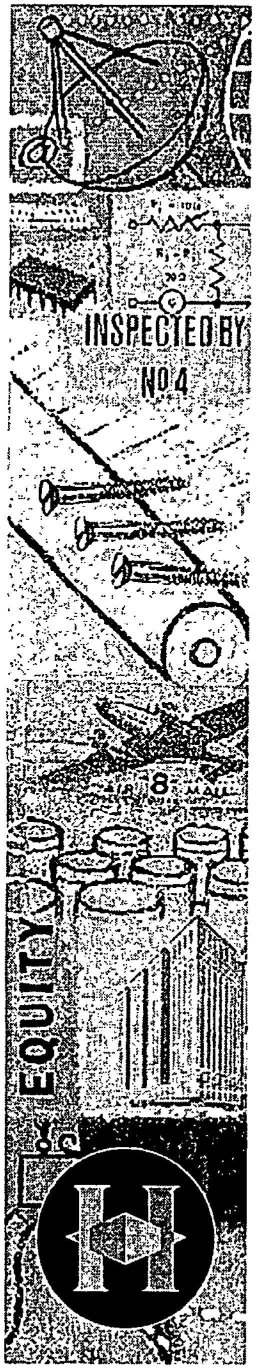
2005E CapEx as % of Revenue



Source Company information and from Wall Street research



Methodology



Methodology

Valuation Methodology

Capital Tests Methodology

Valuation Methodology

VALUATION METHODOLOGY

Houlihan Lokey's analysis included an independent analysis of the fair value of the aggregate assets of the Company using three widely accepted methodologies The three methodologies included an income approach and two market approaches The methodologies employed are outlined in further detail on the following pages

1 Market Multiple Methodology
2 Comparable Transaction Methodology
3 Discounted Cash Flow Methodology

The valuation methodologies described in this section provide a calculation of the enterprise value from operations of the Company. This resulting value is the fair value of the assets for purposes of the Capital Tests The Capital Tests are described after the Valuation Methodology discussion in this chapter

Valuation Methodology

VALUATION METHODOLOGY (CONTINUED)

MARKET MULTIPLE METHODOLOGY

The market multiple methodology involved the multiplication of earnings before interest, taxes, depreciation and amortization (EBITDA) and access lines by appropriate risk-adjusted multiples

- Multiples were determined through an analysis of certain publicly traded companies, which were selected on the basis of operational and economic similarity with the principal business operations of the Company
- EBITDA and per Access Line multiples were calculated for the comparable companies based upon daily trading prices A comparative risk analysis between the Company and the public companies formed the basis for the selection of appropriate risk adjusted multiples for the Company The risk analysis incorporates both quantitative and qualitative risk factors which relate to, among other things, the nature of the industry in which the Company and other comparable companies are engaged
- Multiples were calculated for the comparative companies based upon trading prices as of July 1, 2005

Valuation Methodology

VALUATION METHODOLOGY (CONTINUED)

MARKET MULTIPLE METHODOLOGY (CONTINUED)

- The risk analysis incorporates both quantitative and qualitative risk factors, which relate to, among other things, the nature of the industry in which LTD Holding Company and the other comparative companies are engaged, relative size, profitability and growth rates

- For purposes of this analysis, we selected six (6) companies as comparable to LTD Holding Company, including
  - Citizens Communications
  - CenturyTel
  - Valor Communications Group
  - Fairpoint Communications
  - Iowa Telecommunications
  - Commonwealth Telephone Enterprises

- Further discussion of our comparable company selection can be found in the Telecommunications Industry Overview section

Valuation Methodology

VALUATION METHODOLOGY (CONTINUED)

COMPARABLE TRANSACTION METHODOLOGY

The comparable transaction methodology also involved multiples of access lines Multiples used in this approach were determined through an analysis of transactions involving controlling interests in companies with operations similar to the Company's principal business operations

Description of these transactions and multiples selected can be found in our Valuation Analysis section

Valuation Methodology

Valuation Methodology (continued)

DISCOUNTED CASH FLOW METHODOLOGY

The Discounted Cash Flow Methodology ("DCF") involved estimating the present value of the projected cash flows to be generated from the business and theoretically available to the capital providers of the Company A discount rate was applied to the projected future cash flows to reflect all risks of ownership and the associated risks of realizing the stream of projected cash flows Since the cash flows are projected over a limited number of years, a terminal value was computed as of the end of the last period of projected cash flows We estimated the Company's terminal value by using a multiple of EBITDA in the final year of the projections The terminal value is an estimate of the value of the enterprise on a going concern basis as of that future point in time Discounting each of the projected future cash flows and the terminal value back to the present and summing the results yields an indication of value for the enterprise

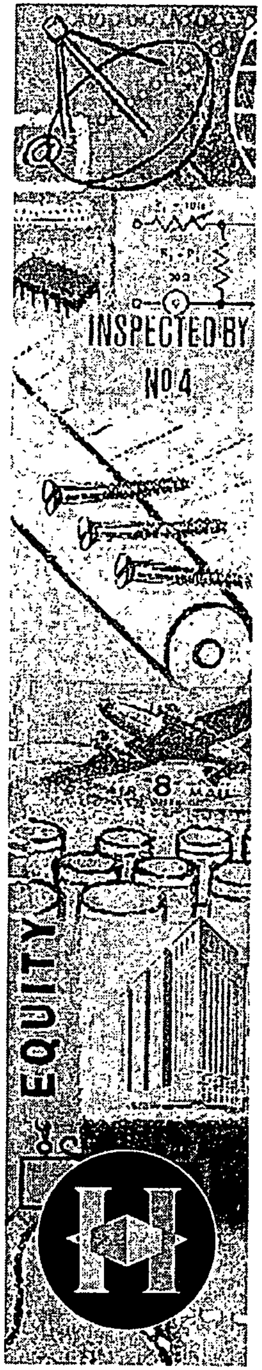
- The Company's financial projections as extended by Houlihan Lokey were utilized in employing the Discounted Cash Flow Approach
- In the DCF Approach, a discount rate is applied to the projected future cash flows to arrive at the present value
  - The discount rate is intended to reflect all risks of ownership and the associated risks of realizing the stream of projected future cash flows

Valuation Methodology

VALUATION METHODOLOGY (CONTINUED)

DISCOUNTED CASH FLOW METHODOLOGY (CONTINUED)

- In contrast to the "cash flow" figures used in the Market Multiple Approach, the figure used in the DCF Approach more accurately represents the true cash flow being generated by the operations of the business
  - The cash flows are typically projected over a limited number of years, and as a result, it is necessary to compute a terminal value as of the end of the last period for which cash flows are projected
  - This terminal value is essentially an estimate of value of the enterprise as of that future point in time, and it incorporates the assumptions of perpetual operations and implicit growth found in the Market Multiple Approach.
- Discounting each of the projected future cash flows and the terminal value back to the present, and summing the results, yields an indication of value for the enterprise as a whole



Methodology

Valuation Methodology
Capital Tests Methodology

Capital Tests Methodology

CAPITAL TESTS METHODOLOGY (CONTINUED)

BALANCE SHEET TEST

The Balance Sheet Test determines whether or not the *fair value* of the company's assets exceeds its stated liabilities and identified contingent liabilities after giving effect to the transaction This test requires an analysis of the fair market value of the company as a *going concern* As part of this analysis, we would consider, among other things, these factors

- Historical and projected financial performance of the Company,
- The business environment in which the Company competes,
- Performance of certain publicly traded companies deemed by Houlihan Lokey to be comparable to the company, in terms of, among other things, size, profitability, financial leverage and growth;
- Capitalization rates ("multiples") for certain publicly traded companies deemed by Houlihan Lokey to be comparable to the Company, such as
  - EV / EBITDA,
  - EV / Access Lines
- Multiples derived from acquisitions of companies deemed by Houlihan Lokey to be comparable to the Company,
- Discounted cash flow ("DCF") approach,
- The capital structure and debt obligations of the company, and
- Non-operating assets and identified contingent liabilities of the Company

Capital Tests Methodology

Cash Flow Test

The Cash Flow Test focuses on whether or not the company ***should be able to repay its debts as they become absolute and mature*** (including the debts incurred in the transaction) This test involves a two-step analysis of the company's financial projections

- Examine the consistency of the projections with historical performance, current marketing strategies and operating cost structure, and
- Test the sensitivity of the projections to changes in key variables including revenue drivers, operating margins and capital expenditures

In testing cash flows, we perform sensitivity analyses to determine the "safety margin" available to deal with reasonable downturns in the company's ability to generate operating cash flow

Capital Tests Methodology

REASONABLE CAPITAL TEST

The Reasonable Capital Test follows from the Balance Sheet and Cash Flow Tests The company may have assets that exceed liabilities, but if the amount is too small to provide some downside protection, the capital amount may not be deemed to be adequate and, in such a situation, the company would fail the Reasonable Capital Test The determination as to whether ***the net assets remaining with the company constitute unreasonably small capital*** involves an analysis of various factors, including

- The degree of sensitivity demonstrated in the cash flow test,
- Historical and expected volatility in revenues, cash flow and capital expenditures,
- The adequacy of working capital,
- The maturity structure and the ability to refinance the company's obligations,
- The magnitude, timing and nature of identified contingent liabilities, and
- The nature of the business and the impact of financial leverage on its operations

Valuation Analysis

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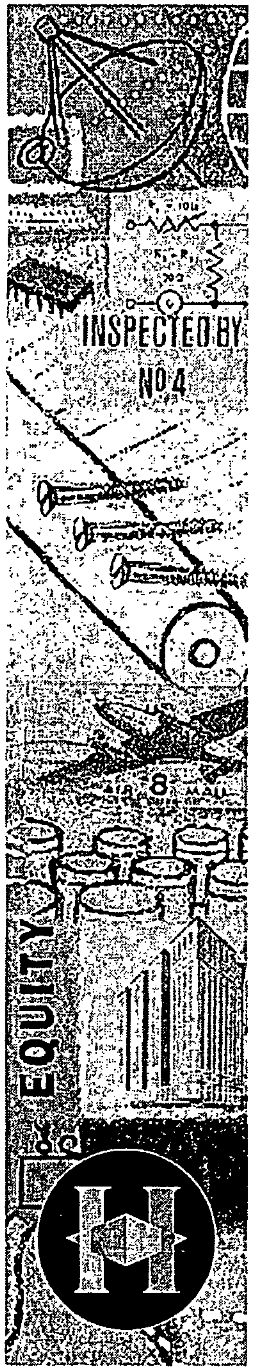

Valuation Analysis

Valuation Summary
Market Multiple Valuation Indication
Transaction Multiple Valuation Indication
Discounted Cash Flow Indication

Valuation Summary

VALUATION SUMMARY

Valuation Summary

(figures in millions)

Enterprise Value Indication from Operations

	Low		High
Market Approach	[REDACTED]		
Market Multiple Methodology			
Comparable Transaction Methodology			
Income Approach			
Discounted Cash Flow Methodology (Terminal Multiple)			
Results Summary			
Selected Enterprise Value from Operations			
Nonoperating Assets/Liabilities:			
Plus Pro Forma Cash and Cash Equivalents Balance as of 6/1/06			
Less Identified Contingent Liabilities [1]			
Less Postretirement and Other Benefit Obligations [2]			
Enterprise Value			
Less Pro Forma Total Debt as of 6/1/06	$7,250	--	$7,250
Equity Value	[REDACTED]		

(1) [REDACTED]

(2) [REDACTED] based on December 31, 2004 Pro Forma LTD Holding Company Balance Sheet

Valuation Summary

VALUATION SUMMARY (CONTINUED)

COMPARABLE COMPANY SELECTION

The broadest comparable company segmentation includes all incumbent local voice telecommunications service providers, consisting principally of RLECs (Rural Local Exchange Carriers) and RBOCs (Regional Bell Operating Companies) As a result of different competitive dynamics in urban versus rural areas (over two-thirds of LTD Holding Company lines are outside the top 100 MSAs), the RBOCs' significant non-local voice assets (principally wireless or Qwest's IXC asset), and a significant directly comparable data set (i e RLECs), the RBOCs were excluded for valuation purposes The RLEC universe was further refined to Large Cap service providers having an Enterprise Value ("EV") in excess of $1 billion and not owning significant wireless assets

COMPARABLE COMPANY ANALYSIS

The comparable trading company valuation is based on the 6 public RLECs exceeding $1 billion in EV These comparable trading companies have a general valuation between 6 0x to 8 5x 2005E EBITDA and $2,500 to $4,500/access line While we have reviewed various risk ranking metrics to further narrow the multiple ranges, we have focused our relative analysis on key metrics, including average revenue per line (ARPL), EBITDA margins, expected revenue growth and expected recurring dividend yield LTD Holding Company's ARPL for 1Q05 of $59 is ranked 6th out of 7 companies (CenturyTel is ranked 1st with $77 and Commonwealth has the lowest ARPL of $53). For 2004, LTD Holding Company had the lowest EBITDA margin of 48%, while its comparable trading companies operated at EBITDA margins of 52% to 58% LTD Holding Company has the [REDACTED] expected revenue growth, a projected [REDACTED] between 2004 and 2005E, [REDACTED] of Citizens, which has a 2 3% expected decline In addition, expected dividend yield for LTD Holding Company of approximately [REDACTED]% is [REDACTED] the 7% mean for its peer group LTD Holding Company is also significantly larger than the comparable companies and generally has a more geographically diverse set of assets

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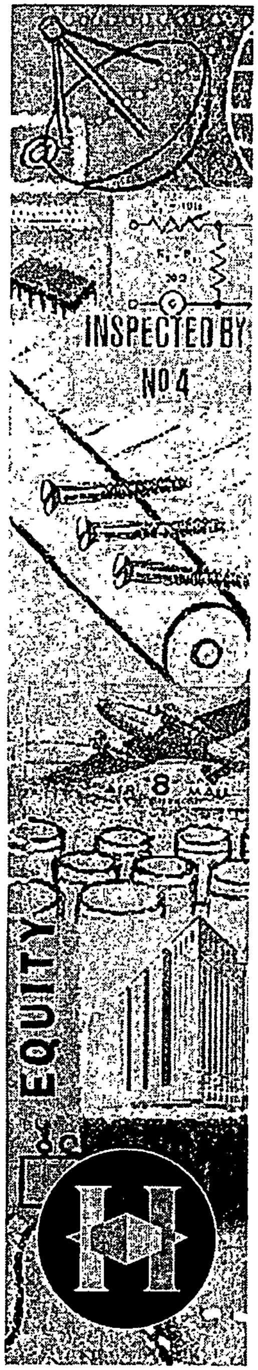

Valuation Analysis

Valuation Summary
Market Multiple Valuation Indication
Transaction Multiple Valuation Indication
Discounted Cash Flow Indication

Market Multiple Valuation Indication

MARKET MULTIPLE VALUATION INDICATION

Market Multiple Approach

(figures in millions)

	LTD Holding Company Representative Level	Selected Multiple Range	Indicated Enterprise Value Range
FY 2004PF			
EBITDA			
FY 2005PF			
EBITDA			
FY 2006PF			
EBITDA			
Industry Metrics 3/31/05			
Access Lines			
Median			
Mean			
Selected Enterprise Value Range			

[REDACTED]

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Market Multiple Valuation Indication

Representative Levels

LTD Holding Company - Representative Levels

Dollars and Access Lines in Millions

FYE December 31,	2003PF	2004PF	2005E	2006E	2007E	2008E	2009E	2010E
EOY Access Lines								
Average access lines								
Total Revenue								
% growth								
EXPENSES								
Cost of Revenue								
Total operating expenses								
% of revenue								
Telco EBITDA								
Plus North EBITDA								
Total Unadjusted EBITDA								
Adjustments (1)								
Total Adjusted EBITDA								
% margin								
Total Depreciation								
% of revenue								
EBIT								
% margin								
Dividends								
Capital Expenditures								
(1) Adjustments								
Cost Normalization								
Business LD								
Total								

[REDACTED]

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Market Multiple Valuation Indication

COMPARABLE COMPANIES VALUATION SUMMARY

Comparable Companies Operating Summary

($ in millions, except per share amounts)

	Revenue			EBITDA			Access Lines		CapEx		FCF before Dividends [1]	
Company	2004	2005E [2]	2006E [2]	2004	2005E [2]	2006E [2]	2004	LQA	2004	2005E [2]	2004	2005E [2]
Citizens Communications	$2,193	$2,143	$2,098	$1,181	$1,129	$1,106	2,320,772	2,298,510	$276	$275	$535	$527
CenturyTel	2,407	2,405	2,410	1,245	1,232	1,219	2,313,626	2,298,491	385	408	724	431
Valor Communications Group	505	503	500	272	270	269	540,337	537,002	66	59	92	127
Fairpoint Communications	253	254	257	140	135	136	239,274	239,250	36	29	23	64
Iowa Telecommunications	221	230	229	127	127	129	267,000	266,400	35	30	42	66
Commonwealth Telephone Enter	336	332	326	180	169	166	471,842	471,133	44	41	95	74

Source Company filings
Note Financial results and Access Lines presented are as of March 31 2005
(1) Free Cash Flow is defined as EBITDA less CapEx less cash interest expense less taxes
(2) Projections per Wall Street Research

Comparable Companies Valuation Summary

($ in millions, except per share and Access Line amounts)

	Share					Enterprise Value to									
	Price as of	Total MV			Market	Revenue			EBITDA			Access Lines		Implied
Company	7/1/2005	Equity [1]	MV Debt	Cash	EV	2004	2005E [2]	2006E [2]	2004	2005E [2]	2006E [2]	2004	LQA	Dividend Yield
Citizens Communications	$13.45	$4,617	$4,177	$284	$8,490	3.9x	4.0x	4.0x	7.2x	7.5x	7.7x	$3,658	$3,694	7.4%
CenturyTel	34.76	4,612	2,839	27	7,390	3.1x	3.1x	3.1x	5.9x	6.0x	6.1x	3,194	3,215	0.7%
Valor Communications Group	13.80	982	1,191	29	2,126	4.2x	4.2x	4.3x	7.8x	7.9x	7.9x	3,935	3,960	10.4%
Fairpoint Communications	16.02	566	590	6	1,150	4.6x	4.5x	4.5x	8.2x	8.5x	8.4x	4,806	4,807	9.9%
Iowa Telecommunications	18.75	592	512	4	1,086	4.9x	4.7x	4.7x	8.5x	8.6x	8.4x	4,066	4,076	8.6%
Commonwealth Telephone Enter	42.22	900	336	60	1,166	3.5x	3.5x	3.6x	6.5x	6.9x	7.0x	2,471	2,475	4.7%
					Mean	4.0x	4.0x	4.0x	7.4x	7.6x	7.6x	$3,689	$3,704	7.0%
					Median	4.0x	4.1x	4.1x	7.5x	7.7x	7.8x	3,797	3,827	8.0%
					High	4.9x	4.7x	4.7x	8.5x	8.6x	8.4x	$4,806	$4,807	10.4%
					Low	3.1x	3.1x	3.1x	5.9x	6.0x	6.1x	2,471	2,475	0.7%

Source Company filings as of March 31 2005
Note Financial results and Access Lines presented are as of March 31 2005
(1) Market Value of Equity based on fully diluted shares outstanding using the treasury method
(2) Projections per Wall Street Research

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Comparable Companies Analysis

Risk Rankings of Comparable Public RLECs

Size (2004 Revenue $ in millions)	
LTD Holding Company	$6 020
Centuri Tel	2 407
Citizens Communications	2 193
Valor Communications	505
Commonwealth Telephone Enter	336
FairPoint Communications	253
Iowa Telecommunications	221

Size (2004 EBITDA $ in millions)	
LTD Holding Company	$2 890
CenturyTel	1 245
Citizens Communications	1 181
Valor Communications	272
Commonwealth Telephone Enter	180
FairPoint Communications	140
Iowa Telecommunications	127

Industry Metrics Access Lines (3/31/05)	
LTD Holding Company	7 638 647
Citizens Communications	2 298 510
CenturyTel	2 298,491
Valor Communications	537 002
Commonwealth Telephone Enter	471 133
Iowa Telecommunications	266 400
FairPoint Communications	239 2*0

Line Losses Access Line Losses (2003-2004)	
Commonwealth Telephone Enter	(1 6%)
CenturyTel	(2 6%)
Citizens Communications	(2 8%)
FairPoint Communications	(2 9%)
LTD Holding Company	(2 9%)
Valor Communications	(2 9%)
Iowa Telecommunications	(3 9%)

Leverage Market Value of Debt / LQA EBITDA	
Valor Communications	4 4x
FairPoint Communications	4 2x
Iowa Telecommunications	4 0x
Citizens Communications	3 5x
LTD Holding Company [1]	2 5x
CenturyTel	2 3x
Commonwealth Telephone Enter	1 9x

Historical Revenue Growth (2003 to 2004)	
Iowa Telecommunications	7 5%
FairPoint Communications [2]	5 9%
Valor Communications	1 8%
CenturyTel	1 7%
Commonwealth Telephone Enter	0 0%
Citizens Communications Co [3]	(1 0%)
LTD Holding Company	(1 8%)

Historical EBITDA Growth (2003 to 2004)	
FairPoint Communications	10 6%
Valor Communications	4 9%
Iowa Telecommunications	4 3%
Commonwealth Telephone Enter	2 6%
Citizens Communications	0 1%
CenturyTel	(0 7%)
LTD Holding Company	(1 7%)

Projected Revenue Growth (2004 to 2005E)

[REDACTED]

Projected EBITDA Growth (2004 to 2005E)

[REDACTED]

Projected Line Losses Access Line Losses (2004-2005E)

[REDACTED]

Profitability (1Q05 Average Revenue per Line)	
CenturyTel	$77 44
Fairpoint Communications	$77 32
Valor Communications Group	$70 13
Citizens Communications	$69 78
Iowa Telecommunications	$64 68
LTD Holding Company	$58 72
Commonwealth Telephone Enter	$53 15

Profitability (2004 EBIT Margin %)	
Valor Communications	36 7%
Iowa Telecommunications	36 0%
FairPoint Communications	35 5%
Commonwealth Telephone Enter	32 4%
CenturyTel	30 9%
LTD Holding Company	28 7%
Citizens Communications	27 7%

Profitability (2004 EBITDA Margin %)	
Iowa Telecommunications	57 7%
FairPoint Communications	55 4%
Citizens Communications	53 9%
Valor Communications	53 8%
Commonwealth Telephone Enter	53 5%
CenturyTel	51 7%
LTD Holding Company	48 0%

Profitability (2004 Net Income Margin %)	
Commonwealth Telephone Enter	18 5%
LTD Holding Company	17 3%
CenturyTel	14 0%
Iowa Telecommunications	6 4%
Citizens Communications	4 8%
FairPoint Communications	(3 4%)
Valor Communications	(5 5%)

Profitability (2004 FCF margin %)	
CenturyTel	30 1%
LTD Holding Company	28 6%
Commonwealth Telephone Enter	28 3%
Citizens Communications	24 4%
Iowa Telecommunications	18 9%
Valor Communications	18 3%
FairPoint Communications	9 2%

Exposure to Cable VoIP (as of December 31 2004)

[REDACTED]

Exposure to Federal USF [6] (as % of 2004 Revenue)

[REDACTED]

Exposure to Access Revenue [5] (as % of 2004 Revenue)

[REDACTED]

DSL Penetration (as of 3/31/2005)	
FairPoint Communications	14 2%
Citizens Communications	10 6%
CenturyTel	7 6%
Commonwealth Telephone Enter	7 4%
LTD Holding Company	7 2%
Commonwealth Telephone Enter	4 5%
Valor Communications	1 9%

Net Pension Benefit/Obligation (as of 12/31/2004 % of EV)

[REDACTED]

Source Company filings and Wall Street research
Note Sprint values based on Telco financials
(1) Pro Forma Debt to 2004 EBITDA
(2) Includes adjustment for acquisition of 13 280 lines
(3) Includes the adjustment for the sale of electric and gas business units
(4) Excludes CALLS USF revenue for CenturyTel Citizens Valor Iowa and LTD Holding Company
(5) Includes CALLS USF revenue for CenturyTel Citizens Valor Iowa and LTD Holding Company
(6) Includes special access revenue

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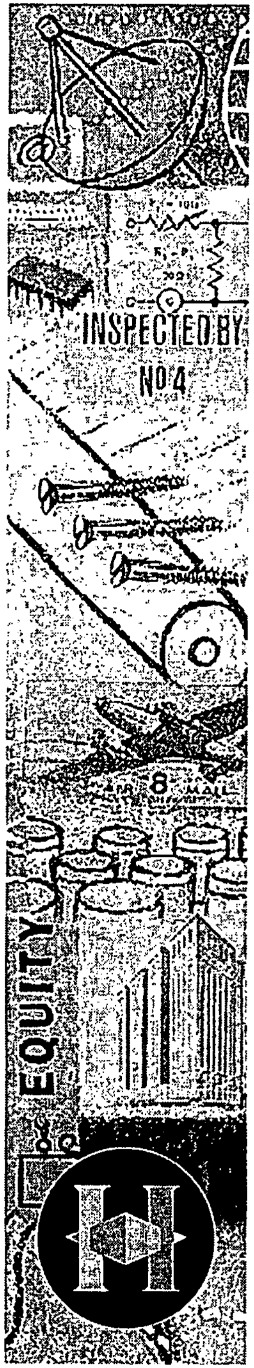

Valuation Analysis

Valuation Summary
Market Multiple Valuation Indication
Transaction Multiple Valuation Indication
Discounted Cash Flow Indication

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Comparable Transactions Valuation Indication

TRANSACTION MULTIPLE VALUATION INDICATION

Transaction Multiple Approach

(figures in millions)

3/31/05	LTD Holding Company Representative Level	Selected Multiple Range	Indicated Enterprise Value Range
Access Lines	[REDACTED]		
Selected Enterprise Value Range			

Comparable Transactions Valuation Indication

PRECEDENT TRANSACTIONS

RLEC Precedent Transactions

($ in millions, except per Access Line amounts)

Announced Date	Acquirer	Target Company	Number of Lines	Location of Lines	Transaction Amount	$/ Access Line
5/21/04	Carlyle Group	Verizon Hawaii	707,000	Hawaii	$1,650	$2,334
1/16/04	Illinois Consolidated Telephone Co	TXU Communications	171,642	Texas	527	3,070
4/21/03	Fairpoint Communications	Community Service Telephone	13,280	Maine	31	2,346
4/1/03	Reservation and Missouri Valley Comm	Citizens Lines	11,000	North Dakota	26	2,336
7/16/02	Homebase Acquisition	Illinois Consolidated Telephone Co	90,000	Illinois	271	3,013
10/31/01	Alltel	Verizon Kentucky	589,000	Kentucky	1,930	3,277
10/22/01	CenturyTel	Verizon Missouri	369,000	Missouri	1,179	3,195
10/22/01	CenturyTel	Verizon Alabama	306,000	Alabama	1,022	3,340
7/12/00	Citizens	Global Crossing	1,100,000	Various Locations (1)	3,373	3,066
12/16/99	Citizens	GTE Corp Lines	106,850	Illinois	303	2,836
10/26/99	Valor Telecommunications	GTE Corp Lines	520,000	Various Locations (2)	1,700	3,269
9/21/99	Citizens	GTE Corp Lines	60,000	Nebraska	204	3,400
8/20/99	CenturyTel	GTE Corp Lines	70,500	Wisconsin	197	2,794
7/8/99	Spectra Communication	Verizon Lines	125,000	Missouri	290	2,320
6/29/99	CenturyTel	GTE Corp Lines	231,000	Arkansas	846	3,661
6/16/99	Citizens	GTE Corp Lines	530,000	Various Locations (3)	1,650	3,113
6/1/99	Citizens	Qwest Lines	17,000	North Dakota	38	2,235
5/27/99	Citizens	GTE Corp Lines	200,000	AZ, CA, MN	664	3,320
1/19/99	Telephone USA	GTE Corp Lines	62,650	Wisconsin	172	2,745

Mean	$2,930
Median	3,066
High	$3,070
Low	2,334

(1) Various locations include AL, FL, GA IL, IN, IA MI, MN MS, NY PA, WI
(2) Locations included OK TX NM
(3) Locations included AZ CO, ID IA MN MT, NB, ND, WY

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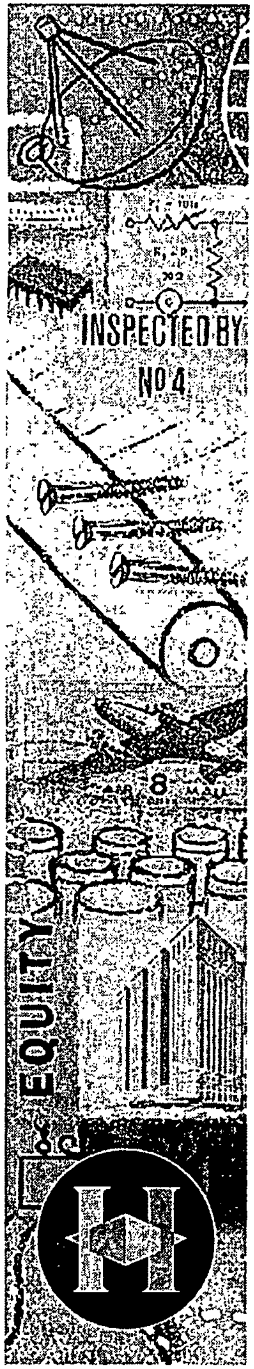

Valuation Analysis

Valuation Summary
Market Multiple Valuation Indication
Transaction Multiple Valuation Indication
Discounted Cash Flow Indication

Discounted Cash Flow Indication

DISCOUNTED CASH FLOW VALUATION SUMMARY

Discounted Cash Flow

(figures in millions)

	Projected Fiscal Year Ending December 31,				
	2006 (1)	2007	2008	2009	2010
EBIT	[REDACTED]				
Less Taxes					
Debt-Free Earnings					
Less Capital Expenditures					
Less Working Capital Requirements					
Add Depreciation and Amortization					
Total Net Investment					
Net Debt-Free Cash Flows:					
Discount Period					
Discount Factor @ 0 0%					
Present Value of Net Debt-Free Cash Flows:					

DCF Assumptions	
Discount Rate	0 0%
Tax Rate	38 8%

Terminal Value Assumptions	
Terminal EBITDA (2010)	[REDACTED]
Terminal Multiple	
Terminal Value	
Discount Period	
Discount Factor @ 0 0%	
PV of Terminal Value	

Distribution of Value	
Period Cash Flow	[REDACTED]
Terminal Cash Flow	
Total	

Implied Analyses	
2004 EBITDA Multiple	[REDACTED]
2005 EBITDA Multiple	
Implied Gordon Growth Rate	

Sensitivity Analysis. Enterprise Value

Terminal Multiple

Discount Rate

[REDACTED]

Range of Selected Enterprise Values

(1) Represents 7-month stub period

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Discounted Cash Flow Indication

WEIGHTED AVERAGE COST OF CAPITAL ANALYSIS

Weighted Average Cost of Capital

(figures in millions)

	Debt	Preferred Stock	Market Value of Equity	Total Capitalization	Debt to Equity	Debt to Total Capitalization	Preferred to Total Capitalization	Equity to Total Capitalization
Citizens Communications	$4,362	$0	$4,617	$8,979	94.5%	48.6%	0.0%	51.4%
CenturyTel Inc	3,012	0	4,612	7,623	65.3%	39.5%	0.0%	60.5%
Valor Communications Group	1,617	0	982	2,599	164.7%	62.2%	0.0%	37.8%
Fairpoint Communications	606	0	566	1,172	106.9%	51.7%	0.0%	48.3%
Iowa Telecommunications	520	0	592	1,112	87.8%	46.8%	0.0%	53.2%
Commonwealth Telephone Enterprises	350	0	900	1,250	38.9%	28.0%	0.0%	72.0%
Median	$1,111.5	$0.0	$941.1	$1,924.7	91.2%	47.7%	0.0%	52.3%
Mean	$1,744.4	$0.0	$2,045.0	$3,789.4	93.0%	46.1%	0.0%	53.9%

	Levered Beta	Unlevered Beta	Decile Based Beta	Adjusted Unlevered Beta	Equity Risk Premium (1)	Size Risk Premium (1)	Cost of Equity	Cost of Debt	Cost of Preferred	WACC
Citizens Communications	0.48	0.30	1.10	0.30	7.2%	0.67%	8.6%	8.0%	0.0%	6.8%
CenturyTel Inc	0.64	0.46	1.10	0.46	7.2%	0.67%	9.7%	6.5%	0.0%	7.4%
Valor Communications Group	0.65	0.32	1.18	0.30	7.2%	1.59%	10.7%	7.8%	0.0%	7.0%
Fairpoint Communications	NMF	NMF	1.23	NMF	7.2%	1.57%	NMF	12.1%	0.0%	NMF
Iowa Telecommunications	0.54	0.35	1.23	0.31	7.2%	1.57%	9.9%	4.9%	0.0%	6.7%
Commonwealth Telephone Enterp	0.88	0.71	1.18	0.66	7.2%	1.59%	12.4%	3.3%	0.0%	9.5%
Median	0.64	0.35	1.18	0.31			9.9%	7.1%	0.0%	7.0%
Mean	0.64	0.43	1.17	0.41			10.2%	7.1%	0.0%	7.5%

Footnotes:
Source: Compustat
Weighted Average Cost of Capital (WACC) = (Cost of Debt * (1-Tax Rate) * Debt to Enterprise Value) + (Cost of Equity * Equity to Enterprise Value)
+ (Cost of Preferred * Preferred to Enterprise Value)
Cost of Equity = Risk Free Rate + (Levered Beta * Equity Risk Premium) + Size Risk Premium
Risk-free rate as of 7/1/05
(1) Ibbotson Associates, Stocks Bonds Bills and Inflation 2004 Yearbook, pp 138, 140, and 175

Discounted Cash Flow Indication

Weighted Average Cost of Capital Analysis (continued)

Weighted Average Cost of Capital

Market Assumptions	
20-Year Treasury Bond Yield	4 4%
Equity Risk Premium (1)	7 20%
Size Risk Premium (1)	0 67%
Company Specific Risk Premium	0 00%
Tax Rate	38 8%

Beta Assumptions	
Company Specific Decile Beta	1 10
Selected Adjusted Unlevered Beta	0 31
Levered Beta	0 49

Capital Structure Assumptions (Industry)	
Preferred to Enterprise Value	0 0%
Debt to Enterprise Value	47 7%
Equity to Enterprise Value	52 3%
Cost of Debt	7 1%
Cost of Preferred	0 0%
Cost of Equity	8 6%

Concluded Weighted Average Cost of Capital	6 6%
Rounded Weighted Average Cost of Capital	7 0%

Footnotes
Source Compustat
Weighted Average Cost of Capital (WACC) = (Cost of Debt * (1-Tax Rate) * Debt to Enterprise Value) + (Cost of Equity * Equity to Enterprise Value) + (Cost of Preferred * Preferred to Enterprise Value)
Cost of Equity = Risk Free Rate + (Levered Beta * Equity Risk Premium) + Size Risk Premium + Company Specific Risk Premium
Company Specific Risk Premium is used to adjust for issues such as key man risk, supplier or key customer risk, etc
Risk-free rate as of 7/1/05
(1) Ibbotson Associates, Stocks Bonds Bills and Inflation 2004 Yearbook, pp 138, 140, and 175

PUBLIC VERSION

Capital Tests

Capital Tests

CAPITAL TESTS

BALANCE SHEET TEST

- The balance sheet test examines whether the fair market value of the Company's assets exceeds the Company's liabilities For this test, the Enterprise Value from Operations as calculated previously in the Valuation Analysis section is compared to the full amount of debt plus contingent liabilities that the Company is expected to have immediately after and giving effect to the Transaction
- The value of the Company's assets exceeds the Company's projected debt by approximately $[REDACTED] to [REDACTED] based on these calculations

Balance Sheet Test

($ in millions)

Balance Sheet Test	Low	High
EV LTD Holding Company	[REDACTED]	
Plus Pro Forma Cash and Cash Equivalents Balance as of 6/1/06		
Less Identified Contingent Liabilities (1)		
Less Postretirement and Other Benefit Obligations (2)		
Value of Assets		
Less· Pro Forma Total Debt as of 6/1/06	$7,250	$7,250
Equity (Excess of Assets over Liabilities)	[REDACTED]	

(1) [REDACTED]

(2) [REDACTED] based on December 31, 2004 Pro Forma LTD Holding Company Balance Sheet

Capital Tests

Capital Tests (continued)

Cash Flow Test

- To perform the Cash Flow test, we examine the cash available to the Company at the end of each year of the projection period We calculated the net availability under the bank debt plus the cash on hand at the end of each year to determine the cash cushion that the Company has available in that year
- We calculated the Company's cash cushion to be greater than zero in all years of the projection period, ranging from $[REDACTED] to $[REDACTED] Additionally, total debt as well as leverage is projected to [REDACTED] over the projection period

Cash Flow Test

($ in millions)

Cash Flow Test [1]	2006 [2]	2007	2008	2009	2010
Maximum Bank Debt Availability					
Less Projected Bank Debt Balance					
Projected Bank Debt Availability					
Projected Available Cash - Ending Balance					
Projected Cash Cushion					
Total Debt					
EBITDA					
Leverage: Total Debt/ EBITDA					

[REDACTED]

(1) Based on Management Projections and Houlihan Lokey Base Case Analysis

(2) 2006 Results are 7 months annualized results

Capital Tests

CAPITAL TESTS (CONTINUED)

REASONABLE CAPITAL TEST

- The reasonable capital test evaluates whether the Company's equity as a percent of its value of assets is adequate We calculate the Company's equity as a percent of the value of its assets and then compare this to comparable companies
- For this test, we use the equity and value of assets amounts calculated in the balance sheet test The equity value is calculated to be $[REDACTED] to $[REDACTED], divided by the value of assets of $[REDACTED] yields an equity [REDACTED]

Reasonable Capital Test

($ in millions)

Reasonable Capital Test	Low	High
Equity	[REDACTED]	
Value of Assets		
Equity Cushion		

- The table on the following page compares this equity cushion to that of the Company's peer group, which indicates that LTD Holding Company's equity cushion is [REDACTED] that of the comparable companies
- We also observed the following, which are indications of reasonable capital,
  - even in a downside scenario, the Company would still have adequate cash cushion,
  - the Company's historical and expected volatility in revenues, cash flow and capital expenditures has been low,
  - the Company has adequate working capital,
  - the Company's debt maturities are [REDACTED] and the indicated debt rating suggests that the Company will have the ability to refinance the company's obligations, and
  - [REDACTED]

Capital Tests

CAPITAL TESTS (CONTINUED)

REASONABLE CAPITAL TEST (CONTINUED)

Comparison of LTD Holding Company's Equity Cushion to Peer Group

(figures in millions)

	Equity/ Total Capital
Citizens Communications	51 4%
CenturyTel Inc	60.5%
Valor Communications Group	37.8%
Fairpoint Communications	48.3%
Iowa Telecommunications	53.2%
Commonwealth Telephone Enterprises	72.0%
LTD Holding Company	**[REDACTED]%**
Comps Median	52.3%
Comps Mean	53 9%

(1) Based on LTD Holding Company projected 2006 results, LTD Holding Company total capital based on the midpoint of Houlihan Lokey's range

Capital Tests

Key Forecast Drivers

Certain key drivers of the Company's future financial performance include:

- **Access Line Change** forecasted annual [REDACTED] in the range of [REDACTED]% to [REDACTED]% per year
- **Voice Revenue per Access Line** forecasted annual [REDACTED] of [REDACTED]% in 2006 and to [REDACTED]% per year thereafter
- **DSL Change** forecasted net additions of approximately [REDACTED] in 2006 and [REDACTED] lines per year thereafter
- **Average Revenue per DSL Line** forecasted annual [REDACTED] of [REDACTED]% in 2006 and [REDACTED]% to [REDACTED]% per year thereafter
- **Access Revenues** forecasted annual [REDACTED] of [REDACTED]% to [REDACTED]% per year
- **Operating Expenses:** a mix of variable and fixed expense based upon management estimates
- **Capital Expenditures:** approximately $[REDACTED] per year

Capital Tests

SENSITIVITY ANALYSIS

- The following table demonstrates the impact of changing certain projection assumptions from the levels discussed on the prior page The effects of the changes in assumptions shown below are the cumulative impact in the final year of the projection period on EBITDA, leverage, debt, and interest coverage

Sensitivity Analysis

Dollars and Access Lines in Millions

	Adjustment	% [REDACTED] in [REDACTED] [REDACTED]	12/31/10 Ending Leverage	12/31/10 Ending Debt	12/31/10 Interest Coverage
Base Case	[REDACTED]				
Decrease in Access Lines versus Base Case (1)					
Voice ARPU *(% annual decrease versus base case)*					
Decrease in DSL Lines of Services versus Base Case (2)					
DSL ARPU *(% annual decrease)*					
Capital Expenditure *(annual increase versus base case, as a % of revenue)*					
Interest Rates on Floating Rate Notes *(increase in LIBOR in basis points)*					

(1) [REDACTED] in Access Lines of [REDACTED] reflects the [REDACTED] in ending number of lines in 2010 versus the base case (2010 ending lines of [REDACTED] versus [REDACTED], or an [REDACTED] in ending number of lines)

(2) [REDACTED] in DSL Lines of Service of [REDACTED] reflects the [REDACTED] in ending number of lines in 2010 versus the base case (2010 ending lines of [REDACTED] versus [REDACTED] or a [REDACTED] in ending number of lines)

- This analysis indicates that over the range of the respective adjustments, the various measures of the Company's cash flows and credit ratios remain in reasonable ranges as compared to the unadjusted case

Capital Tests

SENSITIVITY ANALYSIS (CONTINUED)

- In addition to testing the sensitivity of individual projection assumptions, we have tested the impact of a simultaneous change to multiple projection assumptions (the "downside case") All of the adjustments shown on the prior page were used for the downside case The downside case presented herein is not intended to be either a likely or a worst case but is intended to be illustrative of the impact of simultaneous changes to the projection assumptions
- We examined the financial metrics resulting from the downside case analysis over the projection period including, among other things:
  - Revenues and EBITDA
  - Debt paydown and debt levels
  - Credit statistics
  - Dividend payout ratio
- Our findings from the downside case analysis include
- This downside case results in EBITDA which is $[REDACTED] in 2010 than the base case
  - The resulting debt level of $[REDACTED] in 2010 is lower than at the transaction date
  - The resulting leverage (Total debt / EBITDA) in 2010 would be [REDACTED]x
  - The above figures assume that the Company had continued to pay dividends at the anticipated rates However, had the Company chosen to modify dividend payments, the leverage statistics would be more favorable
- The tables on the following pages detail certain financial statistics and credit ratios that result from the downside case

Capital Tests

SUMMARY OF ANALYSES – CASH FLOW STATEMENT AND CREDIT STATISTICS

The tables below demonstrate the impact of the downside case

Revenue and Expense Statistics

(figures in millions)	Base Case					Downside					Difference				
	2006 (1)	2007	2008	2009	2010	2006 (1)	2007	2008	2009	2010	2006 (1)	2007	2008	2009	2010
Total Access Lines (EOY)															
DSL Lines in Service (EOY)															
Monthly voice revenue per access line															
Monthly revenue per DSL line															
Telco Revenues															
Total EBITDA															
Net Interest Expense															
Capital Expenditures															
Total Dividends															
Additional Debt Paydown															
Growth / Margins:															
Total Revenue Change															
Voice Revenue Growth															
Data Revenue Growth															
Total Access Lines Change															
Decline in Monthly voice revenue per access line															
Change in DSL Lines in Service															
Decline in Monthly revenue per DSL line															
Decline in Access Revenues															
Total EBITDA Margin (2)															
Capex / Total Revenues															
Dividend Payout Ratio															

[REDACTED]

(1) 2006 Results are 7 months annualized results
(2) EBITDA Margin is based on Telco EBITDA, but excludes North Supply

PUBLIC VERSION

Capital Tests

SUMMARY OF ANALYSES – CASH FLOW STATEMENT AND CREDIT STATISTICS

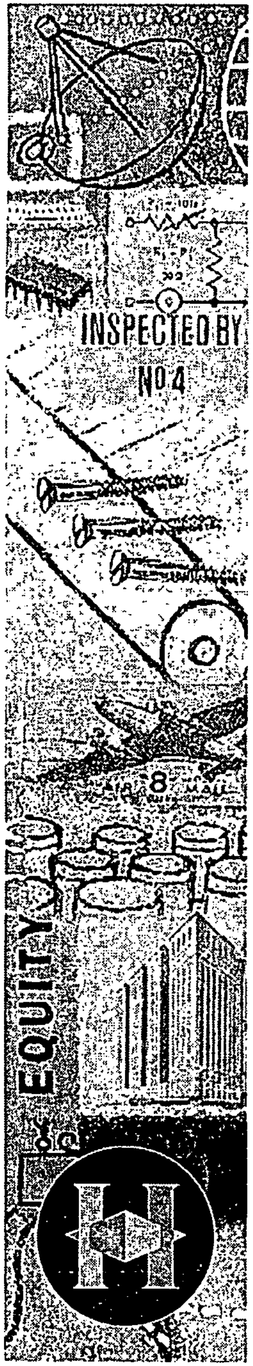
The following tables summarize values and metrics for a range of assumptions

Balance Sheet and Credit Statistics

(figures in millions)	Base Case					Downside					Difference				
	2006 (1)	2007	2008	2009	2010	2006 (1)	2007	2008	2009	2010	2006 (1)	2007	2008	2009	2010
Balance Sheet Items:															
Total Cash															
Total Debt															
Net Debt															
Total Net PP&E															
Shareholders' Equity															
Credit Statistics															
Interest Coverage Ratio															
Fixed Charge Coverage Ratio (2)															
Net Debt / EBITDA															
Total Debt / EBITDA															
Dividends (% of Available FCF)															

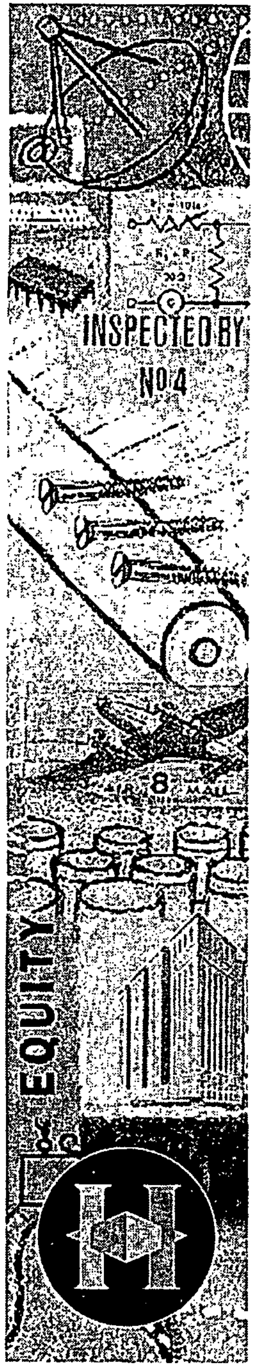
[REDACTED]

(1) 2006 Results are 7 months annualized results
(2) Fixed Charge Coverage Ratio (Unadjusted for capitalized leases) (EBITDA - Capex) divided by Interest Expense



Appendix

PUBLIC VERSION



Appendix

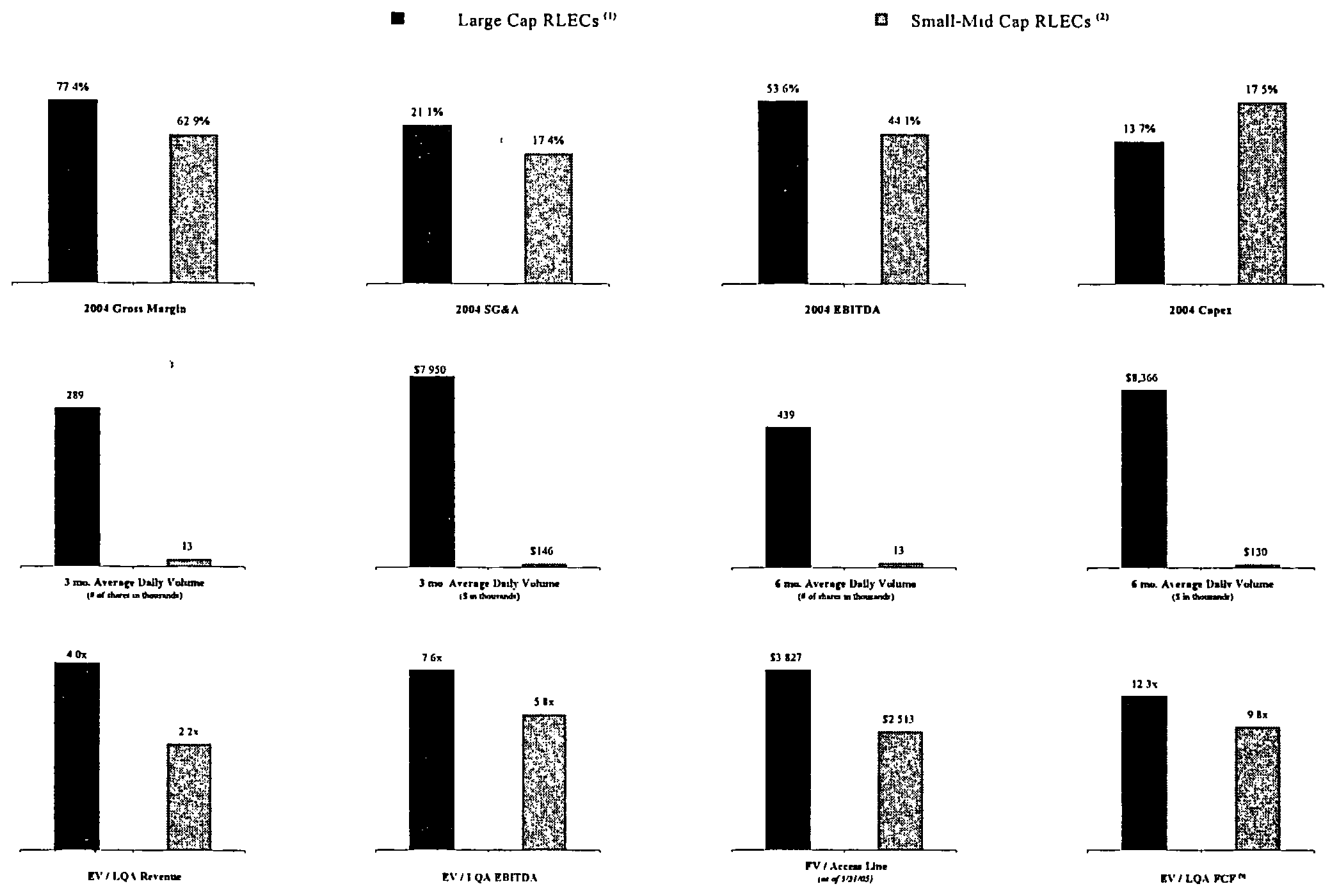
Large Cap vs. Small - Mid Cap RLECs
Case Study: Verizon Hawaii
Public RLEC Universe
Comparable Company Descriptions

PUBLIC VERSION

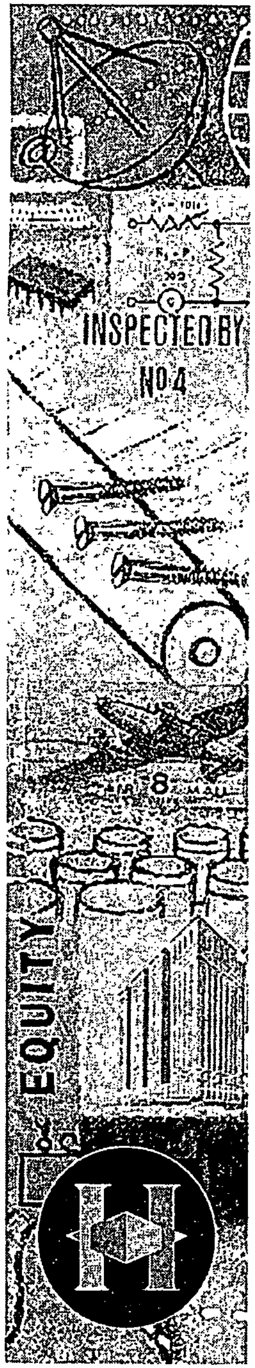
Large Cap vs. Small - Mid Cap RLECs

LARGE CAP VS. SMALL – MID CAP RLECS: STATISTICAL COMPARISON

Statistical Comparison



(1) Represents the median value for Citizens, CenturyTel, Valor Comm , Fairpoint Comm , Iowa Telecom, and Commonwealth Telephone
(2) Represents the median value for Small to Mid cap RLECs as listed on the "Large Cap and Small to Mid Cap RLECs Operating Statistics" in the Appendix
(3) Free Cash Flow is defined as EBITDA less CapEx less cash interest expense less taxes



Appendix

- Large Cap vs. Small - Mid Cap RLECs
- Case Study: Verizon Hawaii
- Public RLEC Universe
- Comparable Company Descriptions

Case Study: Verizon Hawaii

CASE STUDY: VERIZON HAWAII

- On May 21, 2004, The Carlyle Group announced the acquisition of Verizon Hawaii for $1.65 billion, including $1 35 billion in cash and $300 million in assumed debt Upon closing, May 3, 2005, the purchase price was reduced to $1 6 billion

Transaction Description

Private equity firm, The Carlyle Group purchased Verizon Hawaii from Verizon Communications for $1 6 billion The transaction includes Verizon's Hawaii-based local telephone operations, print directory, long distance, and Internet service provider operations The purchase includes 707,000 switched wireline access lines and The Carlyle Group expects to retain the, approximately, 1,700 Verizon Hawaii company employees The new entity was renamed to Hawaiian Telcom and began operations on May 3, 2005

Summary Financials

($ in millions)

	Year Ended 12/31/2004 PF
Revenue	$609 9
Operating Expenses	(348 2)
EBITDA	$261 7

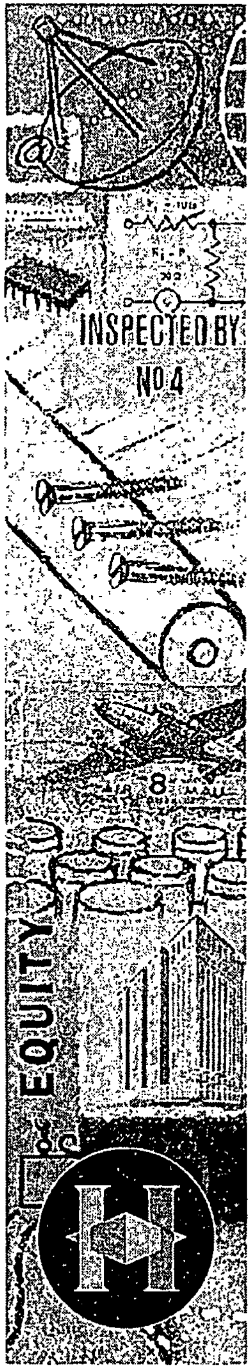
Capital Structure

($ in millions)

	Pre-Transaction [1]	Post-Transaction [2]
Cash and Short Term Investments	$45 5	$100 0
Debt		
Credit Facility (Outstanding)	-	$150 0
7% Debentures Series A due 2/1/06	$150 0	
7 375% Debentures Series B due 9/1/06	150 0	
First Mtg Bonds, series BB 6 75%, due 2/15/05	125 0	
Term Loan A	-	300 0
Term Loan B	-	400 0
Senior Unsecured Notes	-	325 0
Senior Subordinated Notes	-	375 0
Total Debt	$425 0	$1,550 0
Credit Statistics		
Total Debt / EBITDA (2004)	2 3x	5 9x
Memo 2004 Pro Forma EBITDA	*$261 7*	

Source Carlyle projection filings with Hawaii PUC
(1) Under Verizon Hawaii as of 3/31/2004
(2) Based on Carlyle Group capital structure post acquisition as of 5/12/2005

Source Verizon Hawaii Financial filings for Capital Structure and Financial results pre-transaction Post-transaction Capital Structure based on S&P website and latest Verizon Hawaii financials



Appendix

Large Cap vs. Small - Mid Cap RLECs
Case Study: Verizon Hawaii
Public RLEC Universe
Comparable Company Descriptions

PUBLIC VERSION

Public RLEC Universe

ALL COMPARABLE PUBLIC RLECS: OPERATING STATISTICS

RLEC Comparable Companies – Operating Statistics

($ in millions, except per share amounts)

Company	Share Price as of 7/1/2005	Total MV Equity [1]	MV Debt	Cash	Market EV	Revenue 2004	Revenue 2005E [2]	Revenue 2006E [2]	EBITDA 2004	EBITDA 2005E [2]	EBITDA 2006E [2]	Access Lines
Wireline Only												
Citizens Communications	$13 45	$4,617	$4,177	$284	$8,490	$2,193	$2,143	$2,097 7	$1,181	$1,129	$1,106	2,298,510
CenturyTel	34 76	4,612	2,839	27	7,390	2,407	2,405	2,410	1,245	1,232	1,219	2,298,491
Valor Communications Group	13 80	982	1,191	29	2,126	505	503	500	272	270	269	537,002
Commonwealth Telephone Enter	42 22	900	336	60	1,166	336	332	326	180	169	166	471,133
Iowa Telecommunications	18 75	592	512	4	1,086	221	230	229	127	127	129	266,400
Fairpoint Communications	16 02	566	590	6	1,150	253	254	257	140	135	136	239,250
D&E Communications	9 79	140	223	6	357	176	NA	NA	60	NA	NA	178,008
Otelco	15 31	84	164	5	242	37	49	49	24	29	29	33,624
North Pittsburgh Systems	19 45	292	29	44	262	108	114	NA	46	51	NA	109,508
CT Communications	13 10	250	64	16	281	164	167	171	55	53	53	158,133
Lynch Interactive	22 10	61	168	30	199	88	NA	NA	41	NA	NA	NA
Hickory Technology	8 11	106	99	1	202	91	92	NA	34	36	NA	73,635
Atlantic Tele-Network	28 75	143	12	49	118	89	NA	NA	50	NA	NA	106,000
Hector Communications	22 78	90	60	22	110	32	NA	NA	15	NA	NA	29,369
New Ulm Telecom	9 75	50	17	4	45	15	NA	NA	7	NA	NA	17,000
Wireline with Wireless Assets												
Alltel Corp	$62 18	$18,950	$5,598	$1,238 [4]	$22,991	$8,246	$8,692	$9,182	$3,272	$3,542	$3,798	2,983,250
Telephone and Data Systems	41 47	2,384	2,002	1,155	3,522	3,720	3,929	4,120	995	1,059	1,162	1,087,300
Cincinnati Bell Telephone Co	4 45	1,105	2,105	25	3,220	1,207	1,176	1,155	509	489	483	959,900
Alaska Communications	9 99	417	458	68	807	303	312	315	98	110	111	289,169
Surewest Communications	25 89	378	103	9	471	212	225	223	60	58	51	131,133
Shenandoah Telecommunications	39 58	307	51	24	328	121	NA	NA	40	NA	NA	24,802
Warwick Valley Telephone Co [3]	24 53	133	12	23	118	29	NA	NA	8	NA	NA	29,602

Source Company filings as of March 31, 2005
Note Financial results and Access Lines presented are as of March 31, 2005
(1) Free Cash Flow (FCF) is defined as EBITDA minus CapEx
(1) Market Value of Equity based on fully diluted shares outstanding using the treasury method
(2) Projections per Wall Street Research
(3) Financial results and Access Lines presented are as of September 30 2004
(4) Pro forma for the sale of investment of Fidelity National Services on 4/6/2005, valued at approximately $350 million

Public RLEC Universe

All Comparable Public RLECs: Valuation Statistics

RLEC Comparable Companies – Valuation Statistics

($ in millions, except per share amounts)

	Share					Enterprise Value to						
						Revenue			EBITDA			
Company	Price as of 7/1/2005	Total MV Equity [1]	MV Debt	Cash	Market EV	2004	2005E [2]	2006E [2]	2004	2005E [2]	2006E [2]	Access Lines
Wireline Only												
Citizens Communications	$13 45	$4 617	$4 177	$284	$8 490	3 9x	4 0x	4 0x	7 2x	7 5x	7 7x	$3,694
CenturyTel	34 76	4 612	2 839	27	7 390	3 1x	3 1x	3 1x	5 9x	6 0x	6 1x	3 215
Valor Communications Group	13 80	982	1 191	29	2 126	4 2x	4 2x	4 3x	7 8x	7 9x	7 9x	3 960
Commonwealth Telephone Enter	42 22	900	336	60	1 166	3 5x	3 5x	3 6x	6 5x	6 9x	7 0x	2 475
Iowa Telecommunications	18 75	592	512	4	1 086	4 9x	4 7x	4 7x	8 5x	8 6x	8 4x	4 076
Fairpoint Communications	16 02	566	590	6	1 150	4 6x	4 5x	4 5x	8 2x	8 5x	8 4x	4 807
D&E Communications	9 79	140	223	6	357	2 0x	NA	NA	5 9x	NA	NA	2 004
Otelco	15 31	84	164	5	242	6 5x	5 0x	5 0x	10 1x *	8 3x *	8 2x *	7,206 *
North Pittsburgh Systems	19 45	292	29	44	262	2 4x	2 3x	NA	5 7x	5 1x	NA	2 394
CT Communications	13 10	250	64	16	281	1 7x	1 7x	1 6x	5 1x	5 3x	5 3x	1 777
Lynch Interactive	22 10	61	168	30	199	2 3x	NA	NA	4 8x	NA	NA	NA
Hickory Technology	8 11	106	99	1	202	2 2x	2 2x	NA	5 9x	5 6x	NA	2,738
Atlantic Tele-Network	28 75	143	12	49	118	1 3x	NA	NA	2 4x	NA	NA	1 109 *
Hector Communications	22 78	90	60	22	110	3 5x	NA	NA	7 3x	NA	NA	3 733
New Ulm Telecom	9 75	50	17	4	45	3 0x	NA	NA	6 5x	NA	NA	2 632
					Mean	3 3x	3 5x	3 8x	6 3x	6 8x	7 3x	$3,125
					Median	3 1x	3 7x	4 1x	6 2x	6 9x	7 7x	2,976
					High	6 5x	5 0x	5 0x	8 5x	8 6x	8 4x	$4,807
					Low	1 3x	1 7x	1 6x	2 4x	5 1x	5 3x	1,777
Wireline with Wireless Assets												
Alltel Corp	$62 18	$18 950	$5,598	$1,238 [4]	$22,991	2 8x	2 6x	2 5x	7 0x	6 5x	6 1x	$1 806 *(5)
Telephone and Data Systems	41 47	2 384	2 002	1 155	3 522	0 9x *	0 9x *	0 9x *	3 5x	3 3x	3 0x	3 239 *(6)
Cincinnati Bell Telephone Co	4 45	1 105	2 105	25	3 220	2 7x	2 7x	2 8x	6 3x	6 6x	6 7x	3 354 *(7)
Alaska Communications	9 99	417	458	68	807	2 7x	2 6x	2 6x	8 2x	7 3x	7 3x	2 082 *(8)
Surewest Communications	25 89	378	103	9	471	2 2x	2 1x	2 1x	7 8x	8 1x	9 2x	2,787 *(9)
Shenandoah Telecommunications	39 58	307	51	24	328	2 7x	NA	NA	8 2x	NA	NA	4 596 *(10)
Warwick Valley Telephone Co [3]	24 53	133	12	23	118	4 1x *	NA	NA	14 2x *	NA	NA	3 974 *
					Mean	2 6x	2 5x	2 5x	6 9x	6 4x	6 5x	$3,120
					Median	2 7x	2 6x	2 5x	7 4x	6 6x	6 7x	3,239
					High	2 8x	2 7x	2 8x	8 2x	8 1x	9 2x	$4,807
					Low	2 2x	2 1x	2 1x	3 5x	3.3x	3 0x	1,777

Source Company filings as of March 31 2005

** = Excluded from the range*

(1) Market Value of Equity based on fully diluted shares outstanding using the treasury method

(2) Projections per Wall Street Research

(3) Financial results and Access Lines presented are as of September 30 2004

(4) Pro forma for the sale of investment of Fidelity National Services on 4/6/2005 valued at approximately $350 million

(5) Assumes EV of $2 000 (current average wireless EV/sub as of 1Q05) per wireless subscriber using a total number of wireless subscriberbers of 8 801 285

(6) Assumes EV of $1 041 (implied EV/sub for U.S Cellular) per wireless subscriber using a total number of wireless subscribers of 5 127 077 000 as of 1Q05 and adjusted for 82% ownership

(7) Assumes EV of $2,000 (current average wireless EV/sub as of 1Q05) per wireless subscriber using a total number of wireless subscriberbers of 479 000

(8) Assumes EV of $2 000 (current average wireless EV/sub as of 1Q05) per wireless subscriber using a total number of wireless subscriberbers of 10? 279 as of 1Q05

(9) Assumes EV of $2,000 (current average wireless EV/sub as of 1Q05) per wireless subscriber using a total number of wireless subscriberbers of 52 855 as of 1Q05

(10) Assumes EV of $2 000 (current average wireless EV/sub as of 4Q04) per wireless subscriber using a total number of wireless subscriberbers of 102 600 as of 4Q04

PUBLIC VERSION

Public RLEC Universe

Large Cap and Small to Mid Cap RLECs: Operating Statistics

RLEC Comparable Companies – Operating Statistics

($ in millions, except per share amounts)

Company	Share Price as of 7/1/2005	Total MV Equity (2)	MV Debt	Cash	Market EV	Revenue 2004	Revenue 2005E (3)	Revenue 2006E (3)	EBITDA 2004	EBITDA 2005E (3)	EBITDA 2006E (3)	Access Lines LQA	FCF (1) 2004	FCF (1) LQA	Average Share Price 3 Months	Average Share Price 6 Months	Volume (shares in 000's) 3 Months	Volume (shares in 000's) 6 Months
Large Cap																		
Citizens Communications	$13 45	$4 617	$4 177	$284	$8 490	$2 193	$2 143	$2 098	$1 181	$1 129	$1 106	2 298,510	$658	$535	$13	$13	1 565	1,935
CenturyTel	34 76	4 612	2 839	27	7 390	2 407	2 405	2 410	1 245	1 232	1 219	2 298 491	572	724	32	32	1 134	1 073
Valor Communications Group	13 80	982	1 191	29	2 126	505	503	500	272	270	269	537 002	96	92	14	14	339	489
Fairpoint Communications	16 02	566	590	6	1 150	253	254	257	140	135	136	239,250	50	23	15	15	193	389
Iowa Telecommunications	18 75	592	512	4	1 086	221	230	229	127	127	129	266 400	69	42	19	19	205	201
Commonwealth Telephone Enter	42 22	900	336	60	1 166	336	332	326	180	169	166	471,133	114	95	47	47	239	205
Mid-Small Cap																		
Atlantic Tele-Network	$28 75	$143	$12	$49	$118	$89	NA	NA	$50	NA	NA	106 000	$18	$43	$30	$31	2	2
CT Communications	13 10	250	64	16	281	164	167	171	55	53	53	158,133	13	32	12	12	54	53
D&E Communications	9 79	140	223	6	357	176	NA	NA	60	NA	NA	178 008	21	36	8	8	55	38
Hector Communications	22 78	90	60	22	110	32	NA	NA	15	NA	NA	29 369	6	11	23	23	3	3
Hickory Technology Corp	8 11	106	99	1	202	91	92	NA	34	36	NA	73,635	24	18	9	9	16	13
Lynch Interactive Corp	22 10	61	168	30	199	88	NA	NA	41	NA	NA	NA	17	17	26	26	4	3
New Ulm Telecom	9 75	50	17	4	45	15	NA	NA	7	NA	NA	17,000	1	6	9	9	3	3
North Pittsburgh Systems	19 45	292	29	44	262	108	114	NA	46	51	NA	109,508	23	31	19	19	23	29
Otelco	15 31	84	164	5	242	37	49	48	24	29	29	33 624	6	12	15	15	38	60

Source Company filings as of March 31 2005

Note Financial results and Access Lines presented are as of March 31 2005

(1) Free Cash Flow is defined as EBITDA less CapEx less cash interest expense less taxes.

(2) Market Value of Equity based on fully diluted shares outstanding using the treasury method

(3) Projections per Wall Street Research.

PUBLIC VERSION

Public RLEC Universe

Large Cap and Small to Mid Cap RLECs: Valuation Statistics

RLEC Comparable Companies – Valuation Statistics

($ in millions, except per share amounts)

Company	Share Price as of 7/1/2005	Total MV Equity (2)	MV Debt	Cash	Market EV	Enterprise Value to Revenue 2004	Revenue 2005E (3)	Revenue 2006E (3)	EBITDA 2004	EBITDA 2005E (3)	EBITDA 2006E (3)	Access Lines LQA	FCF (1) 2004	FCF (1) LQA	Trading Volume: Share Price Volume (in 000 s) 3 Months	Share Price Volume 6 Months	Volume (in 000 s) 3 Months	Volume 6 Months
Large Cap																		
Citizens Communications	$13.45	$4,617	$4,177	$284	$8,490	3.9x	4.0x	4.0x	7.2x	7.5x	7.7x	$3,694	12.9x	15.9x	$20,318	$25,340	1,565	1,935
CenturyTel	34.76	4,612	2,839	27	7,390	3.1x	3.1x	3.1x	5.9x	6.0x	6.1x	3,215	12.9x	10.2x	36,752	35,336	1,134	1,073
Valor Communications Group	13.80	982	1,191	29	2,126	4.2x	4.2x	4.3x	7.8x	7.9x	7.9x	3,960	22.0x	23.0x	4,695	7,017	339	489
Fairpoint Communications	16.02	566	590	6	1,150	4.6x	4.5x	4.5x	8.2x	8.5x	8.4x	4,807	22.9x	49.6x	2,962	6,195	193	389
Iowa Telecommunications	18.75	592	512	4	1,086	4.9x	4.7x	4.7x	8.5x	8.6x	8.4x	4,076	15.8x	26.0x	3,887	3,907	205	201
Commonwealth Telephone Enter	42.22	900	336	60	1,166	3.5x	3.5x	3.6x	6.5x	6.9x	7.0x	2,475	10.2x	12.3x	11,336	9,762	239	205
					Mean	4.0x	4.0x	4.0x	7.4x	7.6x	7.6x	$3,704	13.0x	12.8x	$13,325	$14,593	613	715
					Median	4.0x	4.1x	4.1x	7.5x	7.7x	7.8x	3,827	12.9x	12.3x	8,016	8,389	289	439
					High	4.9x	4.7x	4.7x	8.5x	8.6x	8.4x	$4,807	15.8x	15.9x	$36,752	$35,336	1,565	1,935
					Low	3.1x	3.1x	3.1x	5.9x	6.0x	6.1x	2,475	10.2x	10.2x	2,962	3,907	193	201
Mid-Small Cap																		
Atlantic Tele-Network	$28.75	143	12	49	118	1.3x	NA	NA	2.4x	NA	NA	1,109	6.4x	2.7x	61	54	2	2
CT Communications	13.10	250	64	16	281	1.7x	1.7x	1.6x	5.1x	5.3x	5.3x	1,777	21.3x	8.7x	633	605	54	53
D&E Communications	9.79	140	223	6	357	2.0x	NA	NA	5.9x	NA	NA	2,004	17.3x	9.8x	463	367	55	38
Hector Communications	22.78	90	60	22	110	3.5x	NA	NA	7.3x	NA	NA	3,733	17.3x	10.1x	71	60	3	3
Hickory Technology Corp	8.11	106	99	1	202	2.2x	2.2x	NA	5.9x	5.6x	NA	2,738	8.5x	11.3x	149	127	16	13
Lynch Interactive Corp	22.10	61	168	30	199	2.3x	NA	NA	4.8x	NA	NA	NA	11.8x	12.0x	101	91	4	3
New Ulm Telecom	9.75	50	17	4	45	3.0x	NA	NA	6.5x	NA	NA	2,632	67.6x	7.2x	29	22	3	3
North Pittsburgh Systems	19.45	292	29	44	262	2.4x	2.3x	NA	5.7x	5.1x	NA	2,394	11.5x	8.5x	440	614	23	29
Otelco	15.31	84	164	5	242	6.5x	5.0x	5.0x	10.1x	8.3x	8.4x	7,206	37.4x	20.0x	576	918	38	60
					Mean	2.8x	2.8x	3.3x	6.0x	6.1x	6.8x	$2,546	23.0x	10.0x	$280	$318	22	23
					Median	2.3x	2.2x	3.3x	5.9x	5.4x	6.8x	2,513	14.6x	9.8x	149	127	16	13
					High	6.5x	5.0x	5.0x	10.1x	8.3x	8.4x	$3,733	67.6x	20.0x	$633	$918	55	60
					Low	1.3x	1.7x	1.6x	2.4x	5.1x	5.3x	1,777	8.5x	2.7x	29	22	2	2

Source Company filings as of March 31 2005
Note Financial results and Access Lines presented are as of March 31 2005
(1) Free Cash Flow is defined as EBITDA less CapEx less cash interest expense less taxes
(2) Market Value of Equity based on fully diluted shares outstanding using the treasury method
(3) Projections per Wall Street Research

PUBLIC VERSION

Houlihan Lokey Howard & Zukin Financial Advisors, Inc

Public RLEC Universe

LARGE CAP AND SMALL TO MID CAP RLECS: OPERATING METRICS

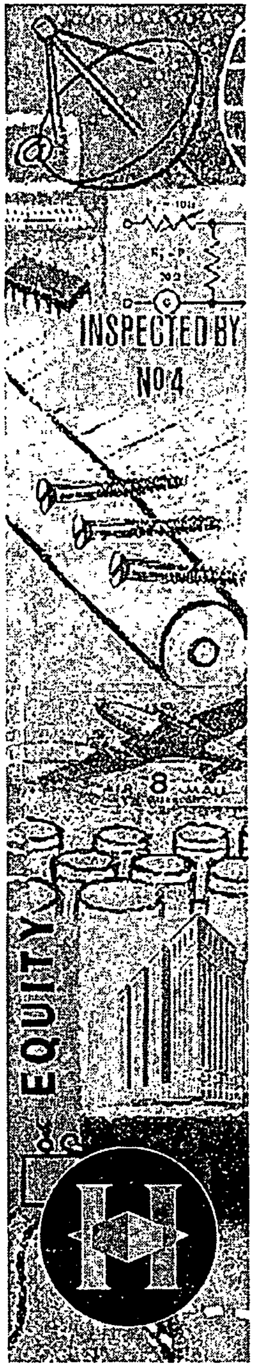
RLEC Comparable Companies – Operating Metrics

($ in millions, except per share amounts)

	Revenue		Gross Margin		SG&A		EBITDA		CapEx		As a % of Revenue: Gross Margin		SG&A		EBITDA		CapEx		CapEx per
Company	2004	LQA	2004	LQA	2004	LQA	2004	LQA	2004	LQA	2004	LQA	2004	LQA	2004	LQA	2004	LQA	Access Line
Large Cap																			
Citizens Communications	$2,193	$2,149	$1,988	$1,945	$807	$800	$1,181	$1,145	$276	$209	90.6%	90.5%	36.8%	37.2%	53.9%	53.3%	12.6%	9.7%	$90.81
CenturyTel Inc	2,407	2,381	1,649	1,613	404	377	1,245	1,236	385	300	68.5%	67.7%	16.8%	15.8%	51.7%	51.9%	16.0%	12.6%	130.35
Valor Communications Group	505	504	400	399	128	128	272	272	66	70	79.2%	79.3%	25.4%	25.3%	53.8%	54.0%	13.0%	13.8%	129.45
Fairpoint Communications	253	247	NA	NA	NA	NA	140	127	36	19	NA	NA	NA	NA	55.4%	51.7%	14.4%	7.6%	77.91
Iowa Telecommunications	221	230	165	168	38	39	127	129	35	23	74.8%	73.0%	17.1%	17.0%	57.7%	56.0%	15.7%	9.8%	84.53
Commonwealth Telephone Enter	336	334	NA	NA	NA	NA	180	178	44	31	NA	NA	NA	NA	53.5%	53.4%	13.0%	9.4%	66.63
Mean											78.3%	77.6%	24.0%	23.8%	54.3%	53.4%	14.1%	10.5%	$96.62
Median											77.0%	76.1%	21.3%	21.2%	53.8%	53.3%	13.7%	9.8%	87.67
High											90.6%	90.5%	36.8%	37.2%	57.7%	56.0%	16.0%	13.8%	$130.35
Low											68.5%	67.7%	16.8%	15.8%	51.7%	51.7%	12.6%	7.6%	66.63
Mid-Small Cap																			
Atlantic Tele-Network	$89	$91	$56	$59	$7	$11	$50	$48	$25	$10	62.9%	65.1%	7.4%	11.8%	55.5%	53.3%	28.4%	11.0%	$94.45
CT Communications	164	166	110	NA	55	NA	55	52	27	31	67.2%	NA	33.5%	NA	33.7%	31.3%	16.6%	18.7%	196.24
D&E Communications Inc	176	171	101	99	41	42	60	57	25	31	57.4%	57.8%	23.3%	24.5%	34.1%	33.4%	14.3%	18.4%	176.76
Hector Communications	32	31	20	NA	5	NA	15	15	4	2	64.8%	NA	17.4%	NA	47.4%	48.8%	13.2%	5.5%	57.48
Hickory Technology Corp	91	92	49	51	15	16	34	35	17	5	53.8%	55.3%	16.3%	17.4%	37.4%	37.9%	18.4%	5.9%	74.53
Lynch Interactive Corp	88	86	58	56	17	17	41	39	16	8	65.8%	64.6%	19.0%	20.0%	46.8%	44.7%	18.8%	8.9%	141.95
New Ulm Telecom Inc	15	16	9	10	2	4	7	7	3	2	59.9%	65.2%	14.2%	22.8%	45.7%	42.4%	19.9%	13.3%	122.01
North Pittsburgh Systems	108	111	NA	NA	NA	NA	46	47	13	9	NA	NA	NA	NA	42.4%	42.3%	12.3%	8.3%	83.94
Otelco Inc	37	48	30	NA	6	NA	24	29	3	5	80.8%	NA	16.6%	NA	64.2%	59.5%	8.8%	9.4%	134.90
Shenandoah Telecommunications	121	138	69	76	29	38	40	39	34	17	57.0%	55.6%	24.2%	27.5%	32.9%	28.1%	28.2%	12.2%	676.56
Mean											63.3%	60.6%	19.1%	20.6%	44.0%	42.2%	17.9%	11.2%	$117.5
Median											62.9%	61.2%	17.4%	21.4%	44.1%	42.4%	17.5%	10.2%	108.2
High											80.8%	65.2%	33.5%	27.5%	64.2%	59.5%	28.4%	18.7%	$196.24
Low											53.8%	55.3%	7.4%	11.8%	32.9%	28.1%	8.8%	5.5%	57.48

Source: Company filings as of March 31, 2005
Note: Financial results presented are as of March 31, 2005
** = Excluded from the range*

PUBLIC VERSION



Appendix

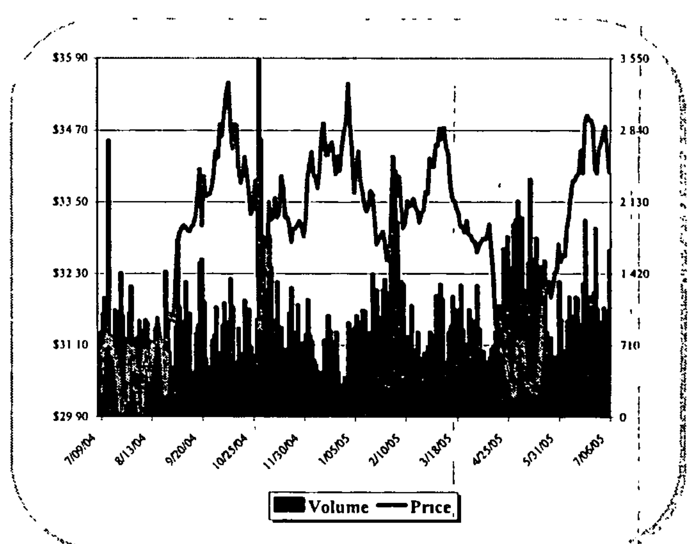
Large Cap vs. Small - Mid Cap RLECs
Case Study: Verizon Hawaii
Public RLEC Universe
Comparable Company Descriptions

Comparable Company Descriptions

CENTURYTEL INC.

CenturyTel, Inc is an integrated communications company engaged primarily in providing local exchange, long distance, Internet access and broadband services The company strives to maintain its customer relationships by, among other things, bundling its service offerings to provide its customers with a complete offering of integrated communications services All of the company's operations are conducted within the continental U S At Dec 31, 2004, the company's local exchange telephone subsidiaries operated approximately 2 3 million telephone access lines, primarily in rural areas and small to mid-size cities in 22 states, with over 70% of these lines located in Wisconsin, Missouri, Alabama, Arkansas and Washington According to published sources, the company is the eighth largest local exchange telephone company in the U S based on the number of access lines served

DAILY STOCK PRICE AND VOLUME

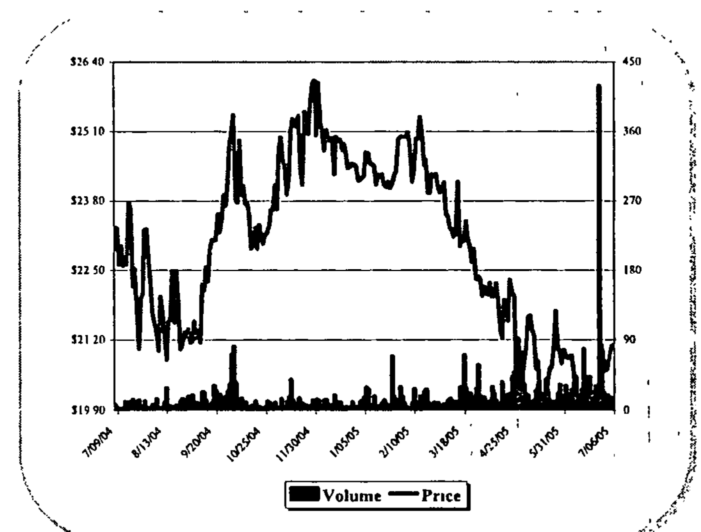


Comparable Company Descriptions

CITIZENS COMMUNICATIONS CO.

Citizens Communications Co (Citizens) is a communications company providing services to rural areas and small and medium-sized towns and cities, including the Rochester, NY, metropolitan area, as an incumbent local exchange carrier (ILEC) In addition, it provides competitive local exchange carrier (CLEC) services to business customers and to other communications carriers in the Western United States through Electric Lightwave (ELI) Citizens ended 2004 with about 2 5 million telephone access lines in 23 states, including Arizona, California, Minnesota, New York and Illinois

DAILY STOCK PRICE AND VOLUME

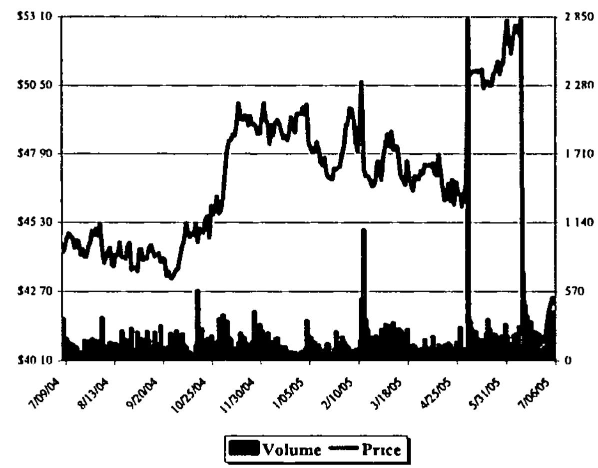


Comparable Company Descriptions

COMMONWEALTH TELEPHONE ENTERPRISES INC.

Commonwealth Telephone Enterprises, Inc is a telecommunications company providing telephony and related services in Pennsylvania markets as a rural local exchange carrier (RLEC) Commonwealth also operates as a competitive local exchange carrier (CLEC) in three regional Pennsylvania markets that border its RLEC's markets, which the company refers to as its "edge-out" markets The company's RLEC is the nation's seventh largest non-Bell incumbent local exchange carrier, serving over 333,000 switched access lines as of Dec 31, 2004 The company's CLEC served over 138,800 competitive switched access lines in its 'edge-out' markets as of Dec 31, 2004

DAILY STOCK PRICE AND VOLUME

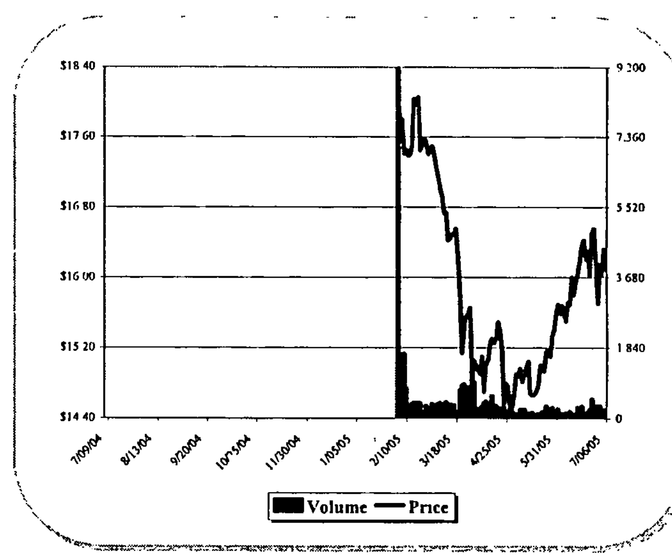


Comparable Company Descriptions

FAIRPOINT COMMUNICATIONS INC.

FairPoint Communications, Inc is a leading provider of communications services to rural communities, featuring local and long distance voice, data, Internet and broadband product offerings FairPoint is one of the largest telephone companies in the U S focused on serving rural communities, and is the 17th largest local telephone company, in each case based on number of access lines The company operates 26 rural local exchange carriers in 17 states with approximately 272,691 access line equivalents (including voice access lines and digital subscriber lines) in service as of Sept 30, 2004

DAILY STOCK PRICE AND VOLUME

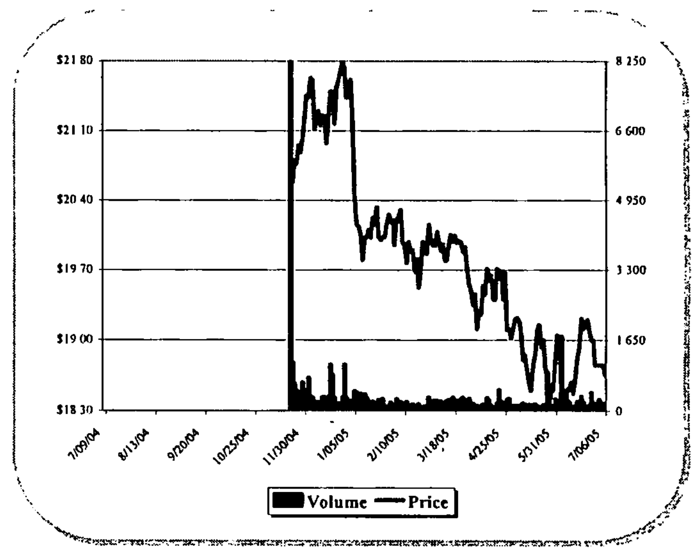


Comparable Company Descriptions

IOWA TELECOMMUNICATIONS SERVICES INC.

Iowa Telecommunications Services, Inc (Iowa Telecom) provides wireline local exchange telecommunications services to residential and business customers in rural Iowa, serving over 440 communities across the state Iowa Telecom believes it is the second largest local exchange carrier in Iowa The company operates 294 telephone exchanges as the incumbent or historical local exchange carrier and, as of March 2005, was the sole telecommunications company providing wireline services in approximately 86% of the communities it serves Together with its competitive local exchange carrier subsidiary, Iowa Telecom provides services to approximately 267,000 access lines in Iowa

DAILY STOCK PRICE AND VOLUME

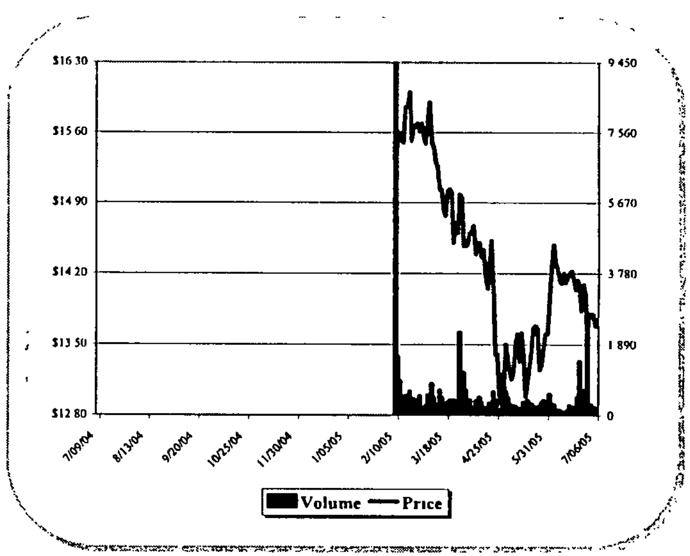


Comparable Company Descriptions

VALOR COMMUNICATIONS GROUP INC.

Valor Communications Group, Inc provides telecommunications services in rural communities in the southwestern U.S Based on the number of telephone lines the company has in service, the company ranks as the seventh largest independent (non-Bell) local telephone company in the country As of Sept 30, 2004, Valor operated apx 548,000 telephone access lines in primarily rural areas of Texas, Oklahoma, New Mexico and Arkansas

DAILY STOCK PRICE AND VOLUME



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In the Matter of:	)	
	)	
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. From Sprint Nextel Corporation to LTD Holding Company	)	Docket No. __________

AFFIDAVIT OF THOMAS W. SOKOL IN SUPPORT OF THE APPLICATION OF SPRINT NEXTEL CORPORATION FOR APPROVAL OF TRANSFER OF CONTROL

Thomas W. Sokol, being first duly sworn, states as follows:

I. Introduction

1. My name is Thomas W. Sokol. I am employed by Sprint Nextel Corporation ("Sprint") as Sprint's State Executive for Tennessee and Virginia. My office is located at 707 E. Main Street, Suite 1775, Richmond, Virginia.

2. I have also held officer positions at United Telephone-Southeast, Inc. and Sprint Mid-Atlantic Telecom, Inc. in Finance, Human Resources and External Affairs. In my current position as State Executive, I have responsibility for

Legislative, Regulatory and Corporate Communications for all Sprint entities operating in Tennessee.

3. I have a Bachelor of Science Degree in Business Administration from Franciscan University in Steubenville, Ohio. I hold a Masters Degree in Business Administration from Gannon University in Erie, Pennsylvania. I am a Certified Internal Auditor.

4. The purpose of my affidavit is to support the Application seeking approval for the transfer of control of United Telephone-Southeast, Inc. ("UTSE"), Sprint Long Distance Inc. ("LTD Long Distance") and Sprint Payphone Services, Inc. ("SPSI") to a new corporate parent. I will describe the separation of Sprint's local telecommunications business from the rest of Sprint and how it results in a transfer of control to LTD Holding Company. I explain that UTSE, LTD Long Distance, and SPSI will continue to have the technical and managerial capabilities to provide quality service after the separation. I also will show that, other than the change in the company name and logo, the separation will be transparent to and beneficial to customers of UTSE, LTD Long Distance, and SPSI.

5. My affidavit is provided principally on behalf of the companies in Tennessee that will experience a change in control from Sprint to LTD Holding Company effective upon completion of the separation: UTSE, LTD Long Distance, and SPSI. My affidavit is also provided on behalf of LTD Holding Company, which

will be the parent company for UTSE, LTD Long Distance and SPSI after the separation.

6. Today, Sprint continues its tradition of more than a century of providing quality services to its local customers through the operations of its incumbent local exchange carrier ("ILEC") – United Telephone-Southeast, Inc. UTSE serves approximately 230,000 access lines in 22 communities in the state and provides a full portfolio of communications services to its customers, including local, long distance, wireless, high-speed data, and video. In 2004, UTSE invested over $38 million in capital additions in the state, bringing total plant assets in service to over $580 million. UTSE paid approximately $3.3 million in property taxes to state and local jurisdictions in Tennessee during 2004. UTSE's operations in Tennessee include more than 600 employees with a total annual payroll exceeding $27 million. Contributions and sponsorships by UTSE during 2004 were in excess of $140,000.

7. UTSE, LTD Long Distance and SPSI operate as direct or indirect subsidiaries of Sprint, and, collectively with Sprint's ILEC properties in 17 other states, make up Sprint's Local Telecommunications Division. LTD Long Distance was recently formed for the purpose of providing long distance service to customers of Sprint's ILEC operations, including customers of UTSE. The ultimate parent company of UTSE, LTD Long Distance and SPSI is Sprint.

8. The separation of Sprint's local telecommunications business from the rest of Sprint will result in little, if any change to UTSE, LTD Long Distance and SPSI. The operating entities in the state will remain the same. UTSE, LTD Long Distance and SPSI will continue to exist as separate companies and, as is explained later in my affidavit, will continue to serve their local customers in a way that will ensure transparency to those customers.

9. From a corporate structure perspective, the only change to these entities will be that the ultimate owner of these companies will be LTD Holding Company rather than Sprint. Exhibit TWS-1 to my affidavit shows the corporate structure of Sprint Corporation before its merger with Nextel Communications, Inc., the corporate structure of Sprint after the merger of the two companies, and the corporate structure related to the creation of the LTD Holding Company. These charts illustrate that at the completion of the separation UTSE, LTD Long Distance and SPSI are unchanged and simply are owned by a new parent company, LTD Holding Company.

10. The names of UTSE, LTD Long Distance and SPSI, or the names under which they will do business, will change as the separation of these entities from Sprint is completed. A new corporate name and logo are being developed and will be introduced on or near the effective date of the separation. Any state-required registrations, filings or notifications for the name changes will be completed at that time.

II. The Transaction will be Transparent to Customers

11. The transaction will result in continuous service and, with the exception of the new company name and logo, the separation will be transparent to customers. On the day after the separation, UTSE, LTD Long Distance, and SPSI will offer the full ranges of products and services they offered the day prior to separation, at the same prices, and subject to the same rules, regulations and applicable tariffs. UTSE will continue to meet the needs of customers who want a "one stop shop" for voice and data communications needs through bundled service offerings. The separation will have no adverse affect on the quality of service customers enjoy, or on the ability of the company to meet all of its obligations. Equally important, there will be no change in the high quality customer service experience the company provides. Customers will continue to be able to call existing numbers to obtain new services, report service problems and address billing or other customer care issues.

12. The separation will not affect or change the certificated entities, and they will continue to provide local exchange service, long distance service and payphone services subject to existing statutes, orders, rules, regulations and applicable tariffs. Moreover, the transaction will have no impact on the terms of any interconnection agreements or UTSE's obligations under state and federal laws regarding interconnection.

III. Technical and Managerial Capabilities of UTSE, LTD Long Distance and SPSI to Continue Providing Quality Service

13. The certificated entities in Tennessee that provide service to our customers today will continue to provide the same services after the separation. Moreover, UTSE, LTD Long Distance, and SPSI will have the assets, agreements, technical capabilities, managerial expertise, employees and other resources needed to continue to provide quality services to our customers.

14. All equipment, buildings, systems, software licenses and other assets owned by UTSE will remain assets of UTSE. There will be no transfers or assignments of assets owned by UTSE as a result of the separation. Assets owned by other Sprint entities that currently serve the needs of multiple Sprint operations are being reviewed to determine which entity has the predominant use of the shared asset today and will continue to have a need for that asset in the future. Through a structured review process described in greater detail in the affidavit of Kent W. Dickerson, a determination will be made regarding the future owner of each of the shared assets. For any shared assets that will remain with Sprint, LTD Holding Company, or one of its subsidiaries, will decide whether to purchase or lease similar assets, or contract for comparable services from a third party to best meet future needs. In the interim, Transition Services Agreements between Sprint and LTD Holding Company will provide access to needed assets to ensure the continuity of services as the separation is completed. As a result, LTD Holding Company, together with UTSE, LTD Long

Distance and SPSI, will have all of the necessary network assets and ordering, provisioning, billing and customer care capabilities required to continue to provide high quality retail and wholesale services seamlessly after the separation.

15. UTSE will continue to provide a complete portfolio of services to its customers in Tennessee through a combination of self-provisioning and commercial agreements. UTSE's provision of local service and high-speed Internet services will be unaffected by the separation transaction. UTSE will continue to offer the same services, and at the same rates, terms and conditions that it does today.

16. UTSE customers who currently have Sprint Communications Company L.P. as their long distance carrier and enjoy the benefits of one-stop shopping will have the ability to continue purchasing bundled services. Through a commercial agreement with Sprint Communications Company L.P., UTSE will have the capability to seamlessly provide long distance services to these customers under the same rates, terms and conditions the customers currently enjoy with Sprint Communications Company L.P. When the separation is complete, the consumer long distance customers of Sprint Communications Company L.P. within UTSE's service territory will become customers of LTD Long Distance. Business customers subscribed to Sprint Communications Company L.P. with their headquarters located in UTSE's service territory will also become customers of LTD Long Distance. The transfer of consumer and business customers from Sprint Communications Company L.P. to LTD Long Distance will be completed in accordance with FCC and Tennessee

Regulatory Authority approvals and after required customer notices, which will include an opportunity for customers to choose another long distance carrier if they do not desire service from LTD Long Distance. The commercial agreement that enables UTSE's customers to continue to receive long distance services as they do today is described in greater detail in Mr. Dickerson's affidavit.

17. LTD Long Distance will also enter into a commercial agreement with Sprint for the provision of wireless services to UTSE customers. This commercial agreement will provide UTSE the continued ability to offer a wireless component for customers desiring integrated service offerings. The wireless commercial agreement with Sprint is also described in greater detail in Mr. Dickerson's affidavit.

18. UTSE currently offers customers the opportunity to purchase satellite video services as a component of an integrated service bundle through a sales agency agreement with EchoStar. The appropriate steps are underway to ensure the arrangement with EchoStar remains in place after the separation to enable customers to continue to purchase video services as part of their bundled service offering from UTSE.

19. Through these long distance, wireless and video arrangements, UTSE and LTD Long Distance will continue to offer customers the opportunity to subscribe to bundles of local, long distance, wireless, high-speed Internet and video services as they do today.

20. The customer service, network and operations functions that are critical to the companies' success today will continue when the separation is complete, and the companies will be staffed to ensure that continuity. Customers will continue to interact with the local employees who serve them today in their local communities.

21. UTSE, LTD Long Distance, and SPSI will continue to receive certain management services from the corporate level, including human resources, finance, tax, communications, legal, planning, general support, and information services. Although the services will be the same as those provided today, and will be staffed by many of the same experienced and knowledgeable people currently providing those services, the entity that provides these services will be a new management company subsidiary of LTD Holding Company. Continuing to maintain these centralized functions will allow individual operating companies including UTSE to benefit from the efficiencies of centralized support services.

22. At the senior management level, LTD Holding Company will be managed by capable and experienced executives who will provide continuity and consistency of operations after the separation is completed. Daniel R. Hesse has been named Chief Executive Officer of LTD Holding Company. Mr. Hesse has extensive experience in the telecommunications industry, including 23 years at AT&T. Michael B. Fuller has been named the Chief Operating Officer of LTD Holding Company. Mr. Fuller, currently President and Chief Operating Officer of Sprint's

Local Telecommunications Division, has had responsibility for leading Sprint's local telephone operations since 1996. Gene Betts, formerly Sprint Corporation's Senior Vice President and Treasurer, has been named Chief Financial Officer of LTD Holding Company. Tom Gerke, formerly Executive Vice President-General Counsel and External Affairs of Sprint Corporation, has been named General Counsel for LTD Holding Company. James A. Hansen has been named the senior officer to lead LTD Holding Company's Network and Customer Service Organization. For Mr. Hansen, this represents a continuation of his current responsibilities and focus on network operations of Sprint's ILEC operations. Exhibit TWS-2 to my affidavit shows organizational charts for LTD Holding Company with the named senior management team identified. The senior management team has an average tenure with Sprint of nearly 18 years, with approximately 170 years of combined Sprint experience.

IV. Benefits of the Separation

23. UTSE, LTD Long Distance, Inc. and SPSI operate in an industry that has been and continues to be subject to technological advances, evolving consumer preferences, and dynamic change. These factors, combined with recent regulatory developments, result in a market environment where the interests of Sprint's local wireline operations will begin to diverge from Sprint's increasingly wireless-centric focus. Establishing Sprint's wireline local service operations as an independent, stand-alone corporation creates a company whose primary strategic focus is on building upon its local wireline capabilities to provide a full portfolio of quality

services to residential and business customers in its local territory. The separation establishes a heightened level of clarity in terms of the company's vision and purpose; a clarity that has the beneficial effect of better aligning the interests of the company with the interests of its local telephone customers.

24. The separation of Sprint's ILEC operations will allow its local customers to be served by a company with a local focus. Prior to merger, Sprint Corporation served nearly three times as many wireless customers as local wireline customers. With the merger, Sprint serves five times as many wireless customers as wireline customers. Given the predominance of wireless customers, Sprint will naturally focus on its nationwide business built around wireless services and its nationwide fiber optic and global IP network.

25. This separation of Sprint's ILEC operations will allow UTSE's local customers to be served by a company whose primary strategic interest is the specific local franchised areas it serves in Tennessee. The result is a company that seeks to be the preferred hometown communications company with a single-minded focus on its local markets in Tennessee.

26. UTSE's success will be directly dependent upon its ability to meet the needs of its local customers. Customers are most interested in a company that understands and can provide solutions to communications needs in their local community. The

separation allows the company to focus with clarity on serving the interests of its customers in the local communities.

27. With a more targeted local focus, UTSE can enhance its local presence to be more responsive in service delivery, product portfolio and customer interaction. It will be better positioned to listen to its customers' needs, and to service those needs by tailoring products specifically to its local customer base. Although comprehensive plans for specific programs are still in the development stage, examples of areas where this local focus concept would be manifested include:

- Many of Sprint's wireline and wireless business and residential offerings have concentrated on product offerings that target national urban markets. Since many of UTSE's local customers live in more rural areas, their needs are often different from the needs of Sprint's nationwide customer base. UTSE will have the freedom to create product offerings that better reflect the preferences of its current local customers. As an example, UTSE is considering offerings designed to complement wireline service rather than replace it, which may be more attractive to its local customers.
- UTSE is evaluating opportunities to increase its local presence through the placement of retail stores in selected local communities.
- Local cross-functional teams with representatives from customer-facing organizations, including operations, consumer and business marketing and public affairs, will be formed and charged with greater accountability for overall performance in specific geographic areas. These local teams will

be responsible for understanding customers' needs in specific geographic markets and developing market-specific actions to address those needs.

- Responsibility for responding to the needs of business customers in UTSE's local territory is being shifted from an organization with national focus to an organization that will focus exclusively on the business customers in UTSE's territory. This local emphasis will be enhanced by physically locating employee resources dedicated to local business customers in or near local markets. Business customers will benefit from a business sales and service organization whose focus will be on understanding and meeting their specific communications needs in UTSE's local territory.

28. The separation provides a greater opportunity for UTSE to compete effectively to retain and grow its customer base with a level of independence the company would not have as part of a larger corporation with a predominantly wireless and national focus. Customers benefit from the increased focus on their needs and UTSE benefits from retaining and attracting those customers whose needs are satisfied by the company's offerings, service quality, and customer care.

29. The separation will allow Sprint to compete more effectively in three important ways. First, separating the ILEC business from Sprint eliminates any potential tensions between Sprint's anticipated national wireless strategy and LTD Holding Company's local wireline strategy. For example, Sprint has announced that

it will focus on serving as a wireless alternative to wireline service and to advance competition by, for example, enabling cable companies' voice offerings or using other technologies. Sprint's goal of replacing existing local wireline service is inconsistent with LTD Holding Company's goal of building on its local wireline capabilities. Second, the separation will allow decisions to be made more quickly and will allow flexibility for creating bundles and product portfolios in specific markets. Among other things, LTD Holding Company will be able to offer new products more rapidly and to respond to new offerings from alternate providers quickly in the local market. Third, as described above, the separation will allow LTD Holding Company to focus on developing products targeted to local customers.

30. UTSE will strengthen its local emphasis and build on its foundation of local services as it continues to meet the telecommunications needs of customers. Local affairs will continue to be managed by employees with established local connections. UTSE will continue to be an active participant in local activities and to provide opportunities for employees to do so as well. With financial contributions, volunteer efforts and philanthropic involvement, UTSE views its citizenship role as an integral part of its corporate responsibilities. UTSE intends to continue its current community efforts, focusing on education, youth development, community improvement and economic development, after the separation is completed.

V. Summary

31. The transfer of control of United Telephone-Southeast, Inc., Sprint Long Distance Inc. and Sprint Payphone Services, Inc. from Sprint to LTD Holding Company will be transparent to customers. It will not affect the companies' technical and managerial capabilities to provide quality communications services. The affidavits of Kent Dickerson and Kevin P. Collins from Houlihan Lokey demonstrate the financial capabilities of United Telephone-Southeast, Inc. and LTD Holding Company. Dr. John Mayo, Professor of Economics, Business, and Public Policy at Georgetown University, provides an independent evaluation of the proposed transaction and supports his findings that it is in the public interest and it is natural and expected for corporations to seek to organize themselves in an efficient and strategically focused manner. Affidavits of all the witnesses, including my own, ultimately support a finding that the separation is in the public interest. The separation will result in a company whose primary strategic focus will be to build upon its local wireline capabilities in providing quality services to residential and business customers in its local territory. This separation will allow the company to clarify its vision and purpose; this clarity will have the beneficial effect of better aligning the interests of the company with the interests of its customers. Because the separation of the local operations is in the public interest, the Commission should, therefore, approve the change of control of United Telephone-Southeast, Inc., Sprint Long Distance Inc. and Sprint Payphone Services, Inc to LTD Holding Company.

I hereby declare under the penalty of perjury that the foregoing statements are true, correct, and complete to the best of my knowledge. Further, the affiant sayeth not.

Thomas W. Sobel
____
Affiant

Sworn to and subscribed before me

this 16th day of August 2005.

Barbara Hypp
____
Notary Public

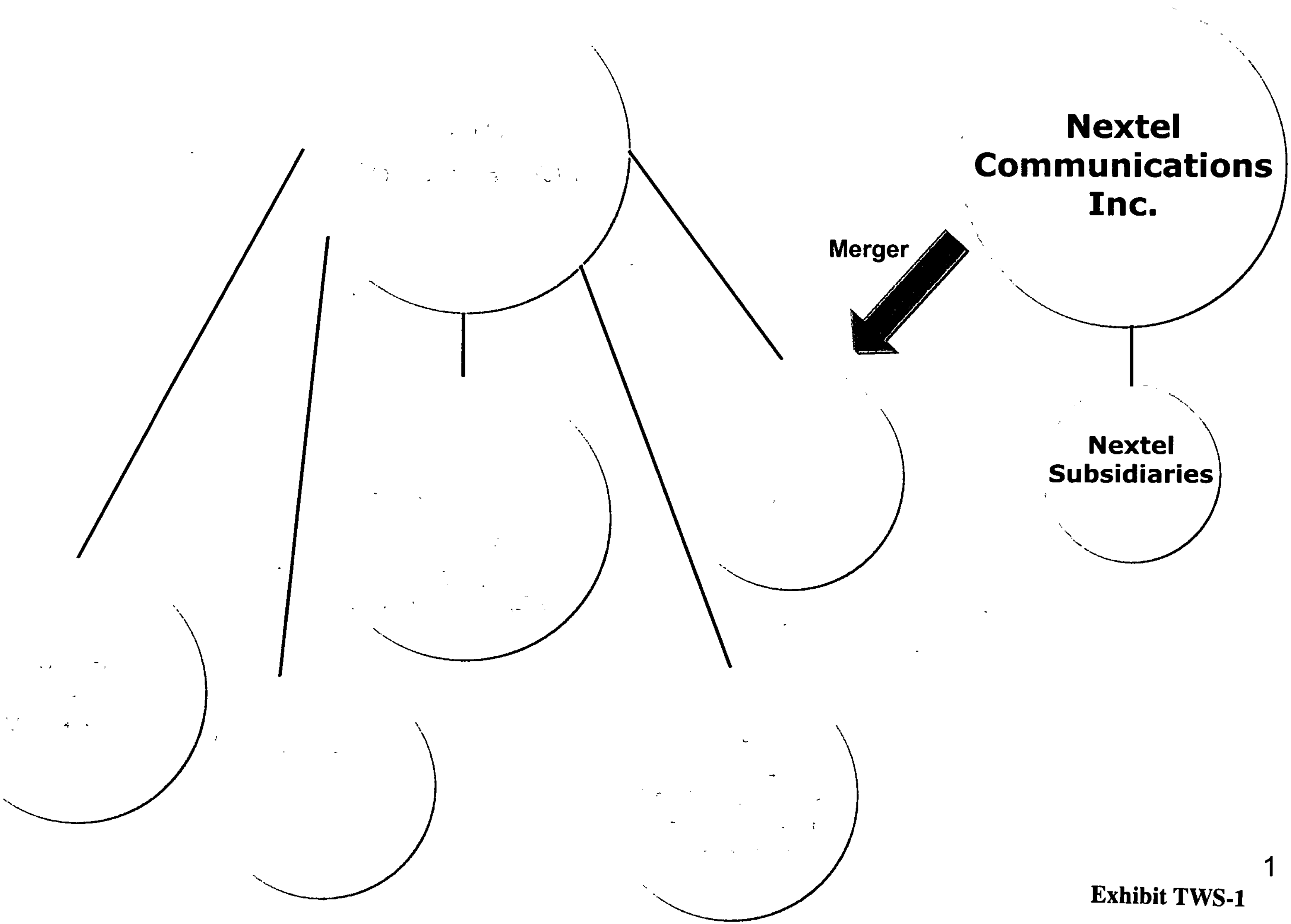
(Seal)

My Commission Expires: 11/30/08

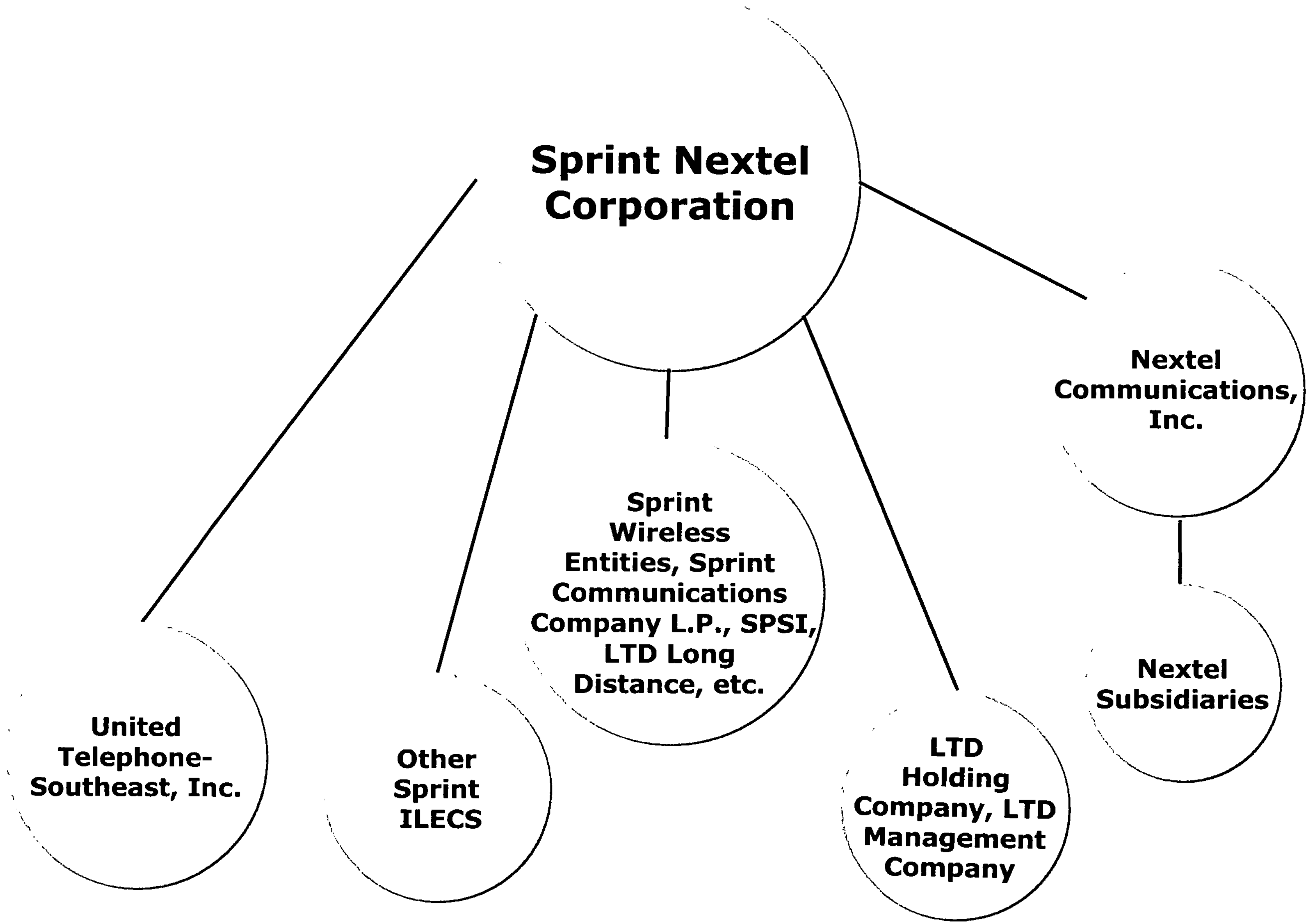
EXHIBIT TWS-1

Corporate Structures

Sprint and Nextel - Pre-Merger



Sprint Nextel – Post Merger



LTD Holding Company Separation from Sprint Nextel

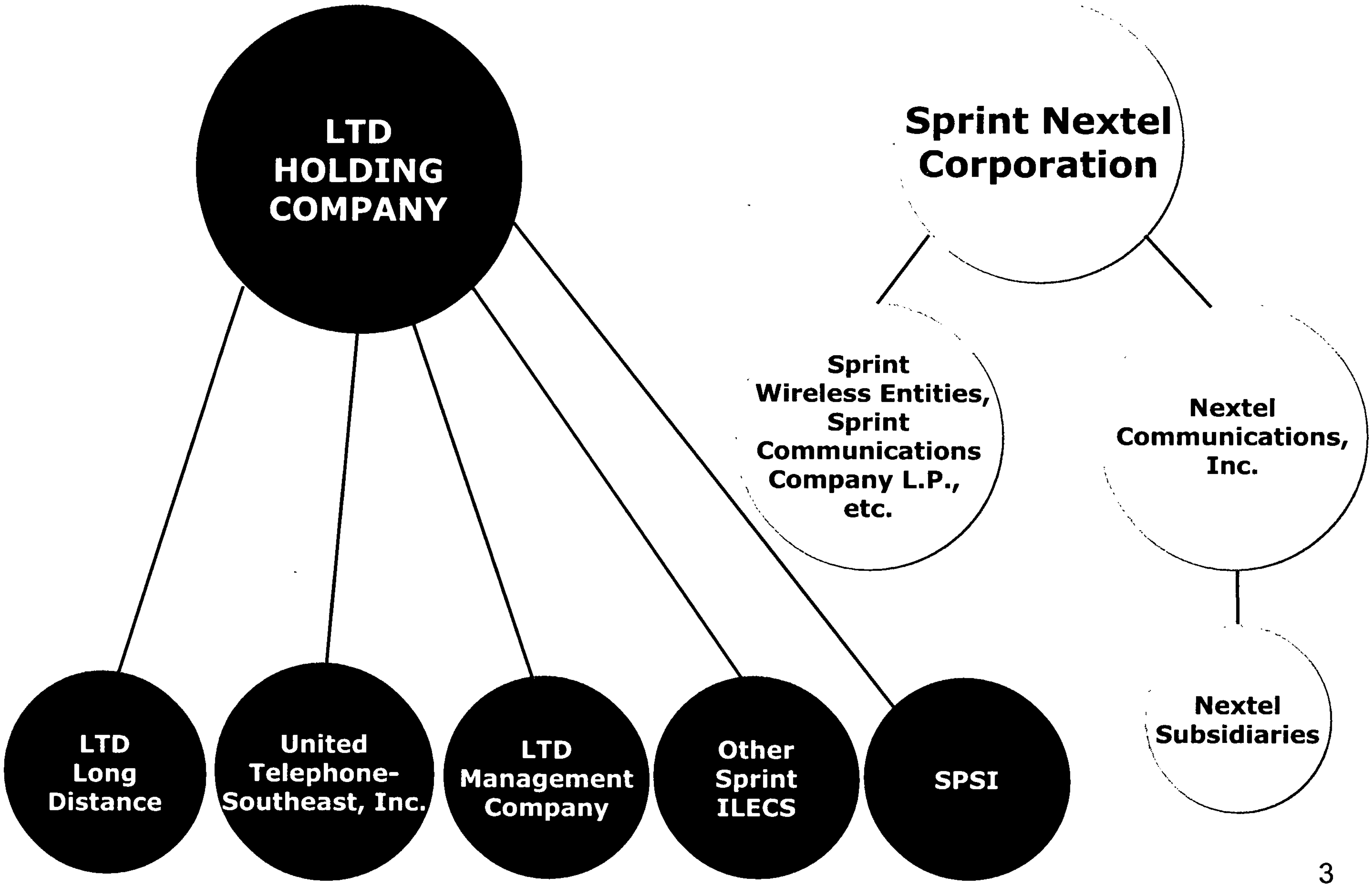
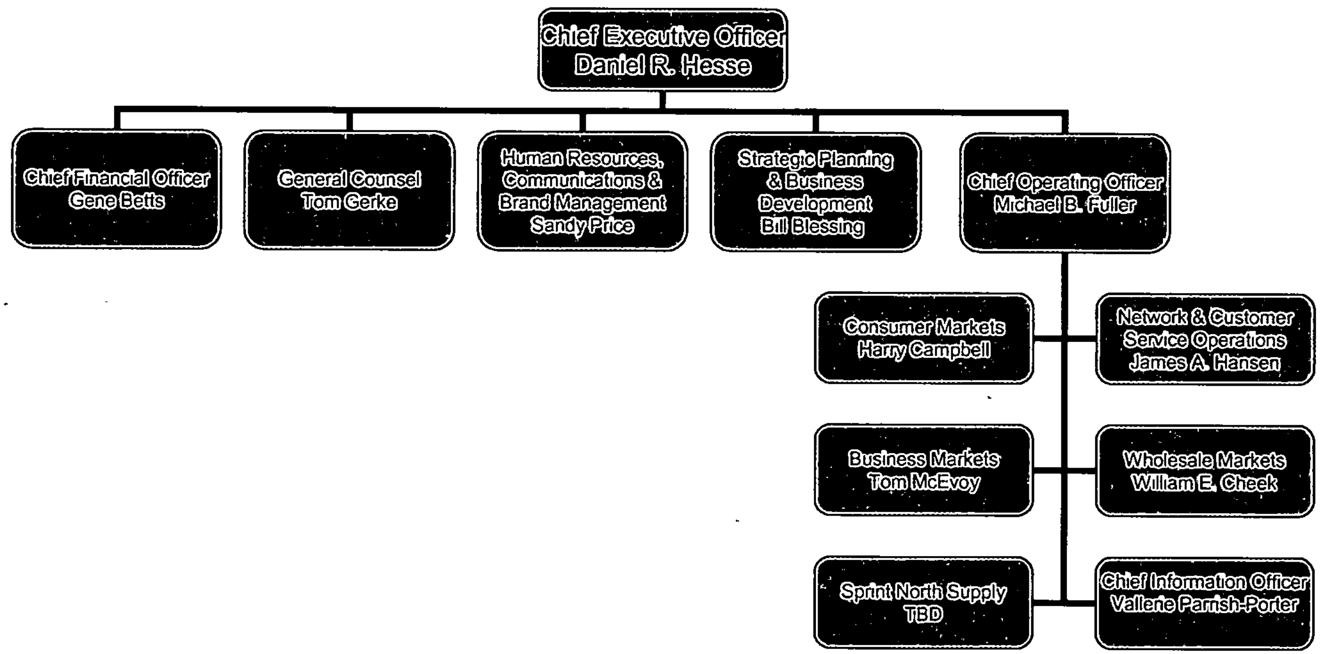


EXHIBIT TWS-2

LTD Holding Company Organizational Chart

LTD Holding Company Organizational Structure



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In the Matter of:	)	
	)	
Application of Sprint Nextel Corporation	)	
for Approval of the Transfer of Control of	)	
United Telephone-Southeast, Inc., Sprint	)	Docket No. ________________
Long Distance, Inc. and Sprint Payphone	)	
Services, Inc. From Sprint Nextel	)	
Corporation to LTD Holding Company	)	

AFFIDAVIT OF JOHN W. MAYO IN SUPPORT OF THE APPLICATION OF SPRINT NEXTEL CORPORATION FOR APPROVAL OF TRANSFER OF CONTROL

John W. Mayo, being first duly sworn, states as follows:

I. INTRODUCTION

1. My name is John W. Mayo. My business address is Georgetown University, McDonough School of Business, Old North Building, 37th and O Streets, N.W., Washington, D.C. 20057.

2. I am Professor of Economics, Business and Public Policy at Georgetown University in the McDonough School of Business. I am also the Executive Director of the Center for Business and Public Policy in the McDonough School at Georgetown University.

3. I hold a Ph.D. in economics from Washington University in St. Louis (1982), with a principal field of concentration in industrial organization, which includes the analysis of antitrust and regulation. I also hold both an M.A. (Washington University, 1979) and a B.A. (Hendrix College, Conway, Arkansas, 1977) in economics.

4. I have taught economics, business and public policy courses at Georgetown University, Washington University, Webster University, the University of Tennessee, and Virginia Tech (VPI). These courses include both graduate and undergraduate classes in industrial organization, regulation and antitrust. I also have served in senior administrative positions. During the academic years 2002-2004, I served as Dean of the McDonough School of Business and before that as Senior Associate Dean. Also, I have served as the Chief Economist, Democratic Staff of the U.S. Senate Small Business Committee.

5. I have authored a number of articles and research monographs, and have written a comprehensive text entitled Government and Business: The Economics of Antitrust and Regulation (with David L. Kaserman, The Dryden Press, 1995). I have also written a variety of specialized articles on economic issues in the telecommunications industry. These articles include discussions of competition and pricing in, and the industrial organization of, the telecommunications industry. These articles have appeared in academic journals such as the RAND Journal of Economics, the Journal of Law and Economics, the Journal of Regulatory Economics, and the Yale Journal on Regulation.

A more detailed accounting of my education, publications and employment history is contained in Exhibit JWM-1.

6. I have been asked by Sprint Nextel Corporation ("Sprint") to evaluate the public policy merits of the proposed separation of its incumbent local exchange company ("ILEC") operations. For a variety of reasons that I will describe below, I conclude that, indeed, the proposed separation is in the public interest. This affidavit, which describes the logic behind my conclusion, is organized as follows. First, in Section II, I provide a brief background discussion to frame the issue. Next, in Section III, I examine specific considerations associated with the proposed separation. Finally, in Section IV, I conclude the affidavit.

II. ECONOMIC GUIDEPOSTS

7. Any serious examination of industrial structure and industrial change will find that firms are constantly re-organizing themselves, sometime in small ways and sometimes in larger ways in order to perform more efficiently. The reason, of course, is that in a capitalistic society, firms most generally create value for shareholders by providing better services and products for consumers, bringing new services to the marketplace and by providing these services in the most efficient manner possible. Consequently, as firms strive to provide enhanced services and create customer value for their offerings, they naturally and continually seek to organize themselves in the most

efficient manner possible. In this sense, the proposed re-structuring by Sprint reflects the normalcy of industrial re-organization.[1]

8. In industries undergoing significant technological change such as the modern telecommunications industry, it is both natural and expected that the frequency and significance of industrial re-organizations will be particularly pronounced.[2] Indeed, the press of technological change in the telecommunication industry has created a host of converging technological platforms – wireless, wireline and cable – that have created an industry in significant flux. This flux, rather predictably, is destroying the uniformity of strategic interests and visions that characterized the industry in the past. The result is that firms today can be expected to adopt quite different strategies depending on their initial position within this broader industry. Indeed, as observed by Harvard University economist Michael Porter, "Strategy is the creation of a unique and valuable position, involving a different set of activities. If there were only one ideal position, there would be no need for strategy. . . . The essence of strategic positioning is to choose activities that are different from rivals."[3]

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[1] Indeed, similar restructurings in other industries are quite common. See, e g , Patrick A Guaghan Mergers, Acquisitions and Corporate Restructurings, John Wiley & Sons, Third Edition, 2002, pp. 393-429. Notable recent restructurings include spin-offs by American Express of its financial advisors units and Viacom of its CBS and UPN networks See also, Michael J Critella "Back Where We Belong," Harvard Business Review, May 25, 2005, which describes Pitney Bowes organizational changes that have varied from a focus on organic growth, to establishing a diversified firm, to, more recently, engaging in spin-offs to achieve a "renewed focus on the core " (p 58) For complementary discussion of the ongoing industrial re-organization in the chemical, computer and semiconductor industries, see Jeffrey T. Macher and David C Mowery "Vertical Specialization and Industrial Structure in High Technology Industries," Business Strategy over the Industry Lifecycle - Advances in Strategic Management, J A C Baum and A.M. McGahan (Eds) Volume 21, Elsevier Press, New York , 2004, 317-356.

[2] See, e g , Debra Aaron "Using Capital Markets as a Monitor Corporate Spin-offs in an Agency Framework," RAND Journal of Economics, Vol 22, Winter 1991, pp 505-518, who indicates that "Firms that are operating in rapidly changing markets are more likely to engage in spin-offs." (p. 506)

[3] See Michael E Porter "What is Strategy?," Harvard Business Review, November-December 1996, p. 61 - 78.

9. Consequently, some telecommunications firms may at this juncture choose to consolidate different lines of business while others (like Sprint) may choose to separate lines of business and customer groups. This is entirely appropriate and normal given that different firms may be situated very differently within the industry. The variation in the strategic visions and choices of individual firms may be "messy" but it stems from a healthy quest that enhances the prospect for consumer benefits as firms struggle for more efficient ways to organize themselves to better serve customers. Thus, while some may speculate as to whether "this" or "that" organizational form is "the right one" for the future, the dynamics of this industry are sufficiently strong that it is difficult, if not altogether impossible, to know which of the myriad strategies and organizational forms will be ultimately rewarded by consumers and shareholders.[4] Thus, while it is common to observe, or engage in, "arm-chair" quarterbacking in the corporate structuring arena, the most prudent policy is to provide deference to the nuanced insights of firms that are seeking to establish the most efficient structure possible within which to satisfy consumers. In sum, the natural quest by firms to position themselves within the market so as to best and most efficiently satisfy customers creates a natural and ongoing propensity for corporate re-organizations. And the presence of rapid technological change very naturally accelerates these generally salubrious effects of corporate reorganizations.

[4] Consider, for instance, that Southwest Airline's operations as a point-to-point, low-frills airline defied accepted industry wisdom when it began operations in 1971 Today, Southwest's business model has emerged as a shining success. Similarly, few anticipated the success of Google when it began in the mid 1990s Yet today, its market capitalization is roughly equal to that of Time Warner, the largest media company in the world.

10. Academicians have studied the motivations for, and consequence of, spin-offs for a number of years. These studies have consistently found that spin-offs are favorably viewed by the market.[5] While the reasons are manifold and may vary from one particular spin-off to the next, the most commonly noted reasons for the favorable evaluation of spin-offs include the alleviation of managerial diseconomies as the number and diversity of decision-making requirements is reduced, an improved strategic focus by managers of the separated company, and the ability to create clearer management incentive–contracts. . Importantly, these underlying drivers to improved corporate value are also factors that generally inure to the benefit of consumers. The creation of a separate market valuation of the new company's activities and assets is also found to create a transparency that better enables valuation by shareholders. This improved transparency, in turn, creates additional heightened incentives for managerial efficiencies. Additionally, spin-offs have been shown to improve investment decisions by improving the internal allocation of corporate capital.[6]

III. SPECIFIC CONSIDERATIONS

11. A variety of considerations point toward the prospective benefits from the separation. At the outset, it is important to note that the separation provides for a restructuring of organizational form but does so with a virtually seamless transition for

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[5] See, e g., Miles, J. A and J D. Rosenfeld "The Effect of Voluntary Spin-off Announcements on Shareholder Wealth," Journal of Finance, Vol 38, 1983, pp. 1597-1606; Hite, G.L. and J.E Owers "Security Price Reactions Around Corporate Spin-off Announcements," Journal of Financial Economic, Vol. 12, 1983, 409-436, J D Rosenfeld "Additional Evidence on the Relationship Between Divestiture Announcements and Shareholder Wealth," Journal of Finance, Vol. 39, 1984, pp 1437-1448; and, Patrick J. Cusatis, James A. Miles and J. Randall Woolridge "Restructuring through Spinoffs: The Stock Market Evidence," Journal of Financial Economics, Vol 33, June 1993, pp. 293-311

[6] See Gertner, Robert, Eric Powers and David Scharfstein "Learning about Internal Capital Markets from Corporate Spin-Offs," Journal of Finance, Vol 57, December 2002, pp. 2479-2506

consumers. My understanding is that current customers of United Telephone-Southeast, Inc. ("UTSE") will, upon completion of the separation, receive uninterrupted service from this familiar and trusted telephone company.[7] Indeed, the company projects that it will offer the full portfolio of its existing services with no degradation of quality.[8] Consumer confusion, always a possibility in corporate re-organizations, is significantly reduced in this instance as customer service interface contacts will remain unchanged.[9] The result is that while there will be minimal, if any, disruption to consumers in the immediate wake of the separation, the re-organization will set the stage for a variety of benefits as the company efficiently re-organizes itself.

12. Additionally, it is my understanding that the senior management team of UTSE, with its extant expertise in providing high quality telecommunications services, will largely remain in place.[10] While this continuity of management expertise should provide additional comfort regarding the public interest merits of the separation, the heightened focus on, and accountability to, the local market will increase senior managers' incentives for providing superior and value-oriented telecommunications services within the local area.

13. Of particular note, the re-organization will permit UTSE to strategically and exclusively focus on its local base of wireline customers. The merger of Sprint Corporation and Nextel Communications, Inc., in the wireless arena has created a very

[7] Also part of this Application are Sprint Long Distance Inc and Sprint Payphone Services, Inc
[8] See Affidavit of Thomas W Sokol, ¶11
[9] Ibid
[10] See Affidavit of Thomas W Sokol, ¶22

large and national company whose strategic interests are distinctly "wireless" and "national". In contrast, UTSE will have the opportunity to focus its competitive energies on providing value for, and securing the business of, consumers within its local geographic footprint. This heightened focus and reliance on its local customers for its financial success means that the company will have maximal incentives to create valued and innovative services for these customers. The re-organization, then, neatly aligns the firm's self-interest and those of consumers. The result is that the re-organization creates the likelihood of both improved efficiencies and improved consumer service.[11]

14. Additionally, by creating separate companies with distinct strategies, the separation has the very real prospect of enhancing competition in the broad telecommunications industry. In particular, once the separation is successfully completed Sprint, with its very large wireless presence, will be free to unambiguously and vigorously pursue wireless-oriented or wireless-cable-oriented strategies that target local wireline company customers. The restructured local exchange company, in contrast, will have every incentive to maintain its local customer base by offering high quality and innovative telecommunications services. The result is that the heightened competition will lead to improved choices and service for telecommunications customers both in and outside of the UTSE geographic footprint.

[11] The "local focus" has proven successful elsewhere in the industry For instance, Cincinnati Bell, which focuses on serving customers in the greater Cincinnati area, has continually received J.D Power and Associates' customer satisfaction ratings that are among the highest in the industry See, e g , 2003 Annual Report, Cincinnati Bell, p 10

15. As I noted earlier, rapid technological change, here augmented by recent federal court and regulatory decisions, is likely to cause specific telecommunications firms to adopt quite different visions and strategies for their companies' futures. These alternative visions stem from a variety of factors, but certainly the initial positions of companies within the broader industry may create completely different strategies for various companies as they individually seek to find positions within the industry from which to best compete. As a result, the fact that Sprint's strategic direction may differ from that of other ILECs is neither surprising nor a cause for concern.

16. As I have described, the separation provides for a continuity of existing services, heightens the focus of managers on the ILEC's local customer base, and creates heightened opportunities and incentives for improved customer service. In addition, *every aspect* of the extant regulatory oversight will remain. In particular, it is my understanding that the regulatory pricing plan under which UTSE currently operates will apply to the company after its transfer to the newly formed parent. That is, the Commission will retain all the operational, financial and regulatory oversight mechanisms that it has today to assure that the company's services are of high quality and are offered at just and reasonable rates.

IV. CONCLUSION

17. My examination of the industry and the specific proposed restructuring lead me to conclude that the separation represents a normal manifestation of the desire by corporate management to seek to re-organize the company in an efficient and strategically focused

manner. The separation comes at a time in the history of the telecommunications industry that a host of such re-organizations may be expected. This diversity of strategic designs by firms certainly will create a new landscape for the industry, but there is every expectation that this specific reorganization will serve the public interest.

I hereby declare under the penalty of perjury that the foregoing statements are true, correct, and complete to the best of my knowledge. Further, the affiant sayeth not.

Allen W. Morgan

Affiant

Sworn to and subscribed before me

this 4th day of August 20 05.

Glinda W. Barnes

Notary Public

(Seal)

My Commission Expires: 12/14/06

EXHIBIT JWM-1

Vita

VITA

JOHN W. MAYO

CURRENT POSITION:

Professor of Economics, Business and Public Policy, and
Executive Director, Center for Business and Public Policy
Georgetown University
McDonough School of Business
Old North Building
37th and O Streets, N.W.
Washington, D.C. 20057

EDUCATION:

Ph.D., Economics, 1982, Washington University in St. Louis
Dissertation: "Diversification and Performance in the U.S. Energy Industry"
M.A., Economics, 1979, Washington University in St. Louis
B.A., Economics, 1977, Hendrix College, Conway, Arkansas

FIELDS OF SPECIALIZATION:

Industrial Organization
Regulatory and Antitrust Policy
Applied Microeconomics
Econometrics

PREVIOUS POSITIONS:

2002-2004 – Dean, McDonough School of Business, Georgetown University

1999-2001 – Senior Associate Dean, McDonough School of Business, Georgetown University.

1997-1998 (Academic year) – Visiting Professor of Economics, Business and Public Policy, Georgetown University School of Business, Washington, D.C.

July 1994 – July 1998 – The University of Tennessee, Knoxville, TN.
Professor of Economics, Department of Economics.

July 1989 - June 1994 – The University of Tennessee, Knoxville, TN.
Research Associate Professor, Center for Business and Economic Research, and Associate Professor of Economics, Department of Economics.

September 1981 - June 1989 -- The University of Tennessee, Knoxville, TN.
Research Assistant Professor, Center for Business and Economic Research, and Assistant Professor of Economics, Department of Economics, September 1981-June 1988.

June 1984 - June 1985 -- U.S. Senate, Small Business Committee.
Chief Economist, Democratic Staff.

August 1982 - December 1982 – VPI, Blacksburg, VA.
Visiting Assistant Professor of Economics, Blacksburg, Virginia.

1980 - 1981 – Washington University, Center for the Study of American Business
Dissertation Fellow

1979 – International Institute for Applied Systems Analysis (IIASA) Laxenburg, Austria.
Energy Research Fellow

1979-1980 -- Washington University, Graduate School of Business Administration
Research Assistant.

1978 -- Washington University, Institute for Urban and Regional Studies.
Research Assistant

HONORS, AWARDS, AND GRANTS:

Undergraduate: Mosley Economics Prize (#1 graduating economics major), Alpha Chi (scholastic), Blue Key, Senior Honors Seminar.

Graduate: University Fellowship, Washington University (1977-78); National Academy of Sciences Young Research Fellow, Laxenburg, Austria (1979); President, Washington University Economics Graduate Student Association (1979-81); Dissertation Fellowship, Center for the Study of American Business, Washington University (1980-81).

Post-Graduate: Zaeslin Fellow of Law and Economics, University of Basel, Basel, Switzerland (2000 - present); William B. Stokely Scholar, College of Business Administration, The University of Tennessee (1993-1995); South Central Bell Research Grant (1988); Research Affiliate, Center of Excellence for New Venture Analysis, The University of Tennessee (1985); Summer Faculty Research Fellowships, College of Business Administration, The University of Tennessee (1983-1985).

COURSES TAUGHT:

Undergraduate: Principles of Microeconomics, Current Economic Problems, Government and Business, Intermediate Microeconomics, Energy Economics

Graduate: Managerial Economics (MBA), Managing in a Regulated Economy (MBA), Economics (Executive MBA), The Economics of Strategy (MBA), Business and Public Policy (MBA); Competition and Competition Policy (MBA); Regulation and Deregulation in the American Economy (MBA), Understanding International Business (MBA), Industrial Organization and Public Policy (Ph.D.), The Economics of Antitrust and Regulation (Ph.D.)

PUBLICATIONS:

A. JOURNAL ARTICLES

"Regulatory Opportunism and Investment Behavior: Evidence from the U.S. Electric Utility Industry," (with Thomas P. Lyon) RAND Journal of Economics, forthcoming.

"On the Impotence of Imputation" (with T. Randolph Beard and David L. Kaserman), Telecommunications Policy, Volume 27, Issues 8-9, September-October 2003, pp. 585-595.

"A Graphical Exposition of the Economic Theory of Regulation" (with T. Randolph Beard and David L. Kaserman), Economic Inquiry, Volume 41, October 2003, pp. 592-606.

"Regulation, Competition, and the Optimal Recovery of Stranded Costs," (with T. Randolph Beard and David L. Kaserman) International Journal of Industrial Organization, Volume 21, June 2003, pp. 831-848.

"The Supreme Court Weighs in on Local Exchange Competition: The Meta-Message," (with David L. Kaserman) Review of Network Economics Volume 1, September 2002, pp. 119 – 131.

"Regulation, Vertical Integration and Sabotage" (with T. Randolph Beard and David L. Kaserman), Journal of Industrial Economics, Volume 49, September 2001, pp. 319-334.

"Efficient Telecommunications Policies for the 'New Economy': The Compelling Case for Access Charge Reform" (with David L. Kaserman), International Journal of Development Planning Literature, (Special Issue edited by William J. Baumol and Victor A. Becker), Volume 1, April 2001.

"Regulatory Policies Toward Local Exchange Companies Under Emerging Competition:

Guardrails or Speedbumps on the Information Highway," (with David L. Kaserman) Information Economics and Policy, Volume 11, December 1999, pp. 367-388.

"Open Entry and Local Telephone Rates: The Economics of IntraLATA Toll Competition," (with David L. Kaserman, Larry R. Blank, and Simran Kahai) Review of Industrial Organization, Vol. 14, June 1999, pp. 303-319.

"Modeling Entry and Barriers to Entry: A Test of Alternative Specifications," (with Mark L. Burton and David L. Kaserman), Antitrust Bulletin, Summer 1999, pp. 387-420.

"Targeted and Untargeted Subsidy Schemes: Evidence from Post-Divestiture Efforts to Promote Universal Telephone Service," (with Ross Eriksson and David L. Kaserman) Journal of Law and Economics, Vol. 41, October 1998, pp. 477-502.

"Dominant Firm Pricing with Competitive Entry and Regulation: The Case of IntraLATA Toll," (with Larry Blank and David L. Kaserman) Journal of Regulatory Economics, Vol. 14, July 1998, pp. 35-54.

"The Role of Resale Entry in Promoting Local Exchange Competition," (with David L. Kaserman) Telecommunications Policy, Vol. 22, No. 4/5, 1998.

"Telecommunications Policy and the Persistence of Local Exchange Monopoly," (with David L. Kaserman), Business Economics, Vol. 33, April 1998, pp. 14-19.

"An Efficient Avoided Cost Pricing Rule for Resale of Local Exchange Telephone Service," (with David L. Kaserman) Journal of Regulatory Economics, Volume 11, January 1997, pp. 91-107.

"A Dynamic Model of Advertising by the Regulated Firm," (with Francois Melese and David L. Kaserman) Journal of Economics (Zeitschrift fur NationalÖkonomie), Volume 64, 1996, pp. 85-106.

"Is the 'Dominant Firm' Dominant? An Empirical Analysis of AT&T's Market Power,"(with Simran Kahai and David L. Kaserman), Journal of Law and Economics, Volume 39, October 1996, pp.499-517.

"Competition and Asymmetric Regulation in Long Distance Telecommunications: An Assessment of the Evidence,"(with David L. Kaserman) CommLaw Conspectus: Journal of Communications Law and Policy, Volume 4, Winter 1996, pp. 1-26.

"Deregulation and Predation in Long-Distance Telecommunications: An Empirical Test," (with Simran Kahai and David L. Kaserman), Antitrust Bulletin, Vol. 40, Fall 1995, pp.645-666.

"Cross-Subsidies in Telecommunications: Roadblocks on the Road to More Intelligent

Telephone Pricing" (with David L. Kaserman), Yale Journal on Regulation, Volume 11, Winter 1994, pp. 120-147.

Reprinted in Public Utilities Law Anthology, Allison P. Zabriskie, editor, Vol. 17, Part 2 (July-December, 1994), pp. 899-929.

"Demand and Pricing of Telephone Services: Evidence and Welfare Implications" (with Carlos Martins-Filho), RAND Journal of Economics, Volume 24, Autumn 1993, pp. 399-417.

"Two Views of Applied Welfare Analysis: The Case of Local Telephone Service Pricing -- A Comment and Extension" (with David L. Kaserman and David M. Mandy), Southern Economic Journal, Volume 59, April 1993, pp. 822-827.

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"The Technological Determinants of the U.S. Energy Industry Structure," The Review of Economics and Statistics, Volume 66, February 1984, pp. 51-58.

B. BOOKS, MONOGRAPHS, AND OTHER PUBLICATIONS

"Competition in the Long Distance Market," (with David L. Kaserman) in Handbook of Telecommunications Economics, Martin E. Cave, Sumit K. Majumdar and Ingo Vogelsang, Editors, North Holland Elsevier, 2002.

"Shakeout or Shakedown? The Rise and Fall of the CLEC Industry," (with Mark Burton and David L. Kaserman), in Michael A. Crew, Editor, Markets, Pricing, and Deregulation of Utilities, Kluwer Academic Publishers, 2002.

"Resale and the Growth of Competition in Wireless Telephony," (with Mark L. Burton and David L. Kaserman), in Expanding Competition in Regulated Industries, Michael A. Crew, Editor, Kluwer Academic Publishers, 2000.

"Monopoly Leveraging, Path Dependency, and the Case for a Competition Threshold for RBOC Reentry into InterLATA Toll," (with T.R. Beard and David L. Kaserman), in Regulation Under Increasing Competition, Michael A. Crew, Editor, Kluwer Academic Publishers, 1999.

"The Quest for Universal Service: The Misfortunes of a Misshapen Policy," (with David L. Kaserman) in Telecommunications Policy: Have Regulators Dialed the Wrong Number?, Donald L. Alexander, Editor, Praeger Publishing Group, Westport, CT, 1997, pp.131-144.

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"Long-Distance Telecommunications: Expectations and Realizations in the Post-Divestiture Period" (with David L. Kaserman), in Incentive Regulation for Public Utilities, Michael A. Crew, Editor, (Boston, MA.: Kluwer Academic Publications), 1994.

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"Entries and Exits of Firms in the Tennessee Economy: Foundations for Research," Survey of Business, The University of Tennessee, Volume 23, Number 1, Summer 1987, pp. 21-23.

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An Economic Report to the Governor of the State of Tennessee, Center for Business and Economic Research and the Tennessee State Planning Office, Annual Contributor, 1981-1994.

"An Economic Analysis of a Monitored Retrievable Storage Site for Tennessee" (with W. F. Fox, L. T. Hansen, and K. E. Quindry), Final Report and Appendices, December 17, 1985.

"Directly Served Industries and the Regional Economy" (with Charles Campbell), Contract Completion Report, the Center for Business and Economic Research, The University of Tennessee, October 1984.

CONGRESSIONAL AND REGULATORY TESTIMONIES:

U.S. Senate (Commerce, Science and Transportation Committee; Energy and Natural Resources Committee, Subcommittee on Water and Power;); Tennessee State Legislature (Senate Finance, Ways and Means Committee; Special Joint Legislative Committee on Business Taxation; and, Senate State and Local Government Committee); Maryland State Legislature (Environmental Works Committee); Federal Communications Commission; Pennsylvania Public Utility Commission; Michigan Public Service Commission; Missouri Public Service Commission; Illinois Commerce Commission; West Virginia Public Utility Commission; Wyoming Public Utility Commission; Washington Utilities and Transportation Commission; Utah Public Service Commission; Wisconsin Public Service Commission; California Public Utilities Commission; Florida Public Service Commission; Delaware Public Service Commission; Montana Public Service Commission; Maryland Public Service Commission; Massachusetts Department of Public Utilities; Georgia Public Service Commission; Colorado Public Utilities Commission; North Carolina Public Utilities Commission; Texas Public Utility Commission; Arkansas Public Service Commission; Connecticut Department of Public Utility Control; Kansas State Corporation Commission; and New Jersey Board of Public Utility Commissioners.

INVITED SEMINARS AND SELECTED CONFERENCE PRESENTATIONS:

Columbia University, University of Chicago, University of Paris (Dauphine IX), Vanderbilt University, Washington University in St. Louis, University of Michigan, Ohio State University, University of Minnesota, University of Florida, University of Texas, Rutgers University, University of Missouri, Kansas University, University of Utah, University of Basel (Switzerland), University of Freiburg (Germany), University of Central Florida, American Enterprise Institute, Federal Communications Commission, Telecommunications Policy Research Conference (TPRC), National Conference of State Legislatures, U.S. Advisory Commission on Intergovernmental Relations, Southwestern Bell Corporation

CONSULTING:

U.S. Department of Justice, Antitrust Division; U.S. Federal Trade Commission; AT&T; Sprint; MCI Telecommunications; Enron Power Marketing, Inc.; Optus Communications (Australia); United Parcel Service; Tennessee Valley Authority; Antitrust Division, Office of the Attorney General, State of Tennessee; U.S. Senator Howard Baker, Jr., U.S. Senate Majority Leader; Oak Ridge National Energy Laboratory; Arkansas Consumer Research; Division of Energy Conservation and Rate Advocacy, Office of the Arkansas Attorney General; U.S. Department of Energy

PROFESSIONAL PRESENTATIONS:

"The Influence of Firms on Government" (with Mirjam Schiffer). Presented to the Southern Economic Association Annual Meetings, New Orleans, November 2004.

"Warm Glow and Charitable Giving: Why Don't the Wealthy Give More to Charity? (with Catherine H. Tinsley). Presented to the Southern Economic Annual meetings, Tampa, Florida, November 2002.

"Competition, Policy and Firm Strategy in U.S. Long Distance Telecommunications." Presented to the Academy of Management annual meetings, Washington, D.C. July 2001.

"Regulation and Administrative Discretion: Evidence From the Electric Utility Industry" (with Thomas P. Lyon). Presented to the Southern Economic Association Annual Meetings, Atlanta, GA, November 1997.

"Regulation, Vertical Integration and Sabotage." (with T. Randolph Beard and David L. Kaserman) Presented to the Western Economic Association Annual Meetings, Seattle, Washington, July 1997.

"Regulation and Investment: Evidence from the Electric Utility Industry." (with Thomas Lyon) Presented to the American Economic Association Annual Meetings, New Orleans, January 1997.

"Targeted and Untargeted Subsidy Schemes: Evidence from Post-Divestiture Efforts to Promote Universal Telephone Service." Presented to the Southern Economic Association Annual Meetings, New Orleans, November 1995.

"Dominant Firm Pricing with Competitive Entry and Regulation: The Case of IntraLATA Toll," with Larry Blank and David L. Kaserman. Presented to the Southern Economic Association Annual Meetings, Orlando, Florida, November 1994.

"The Economic Welfare Effects of Extended Area Telephone Service," with Carlos Martins-Filho. Presented to the Western Economic Association Annual Meetings, Seattle, Washington, July 1991.

"Demand, Pricing and Regulation of Cable TV Services: Evidence from the Pre-Deregulation Period," with Yasuji Otsuka. Presented to the Southern Economic Association annual meetings, New Orleans, Louisiana, November 1990.

"Market Contestability: Toward an Operational Index," with David L. Kaserman. Presented to the Western Economic Association annual meetings, Lake Tahoe, Nevada, June 1989.

"The Political Economy of Deregulation: The Case of Intrastate Long Distance," with David L. Kaserman and Patricia Pacey. Presented to the Southern Economic Association annual meetings, San Antonio, Texas, November 1988.

"Barriers to Trade and the Import Vulnerability of U.S. Manufacturing Industries," with Don Clark and David L. Kaserman. Presented to the Southern Economic Association annual meetings, San Antonio, Texas, November 1988.

"Cross-Subsidization in Telecommunications: Economic Theory Versus Regulatory Rhetoric" with David L. Kaserman, Western Economic Association annual meetings, Vancouver, British Columbia, July 1987. Also presented at the Southern Economic Association annual meetings, Washington, D.C., November 1987.

"The Effects of Regulation on R&D: Theory and Evidence," Southern Economic Association annual meetings, New Orleans, Louisiana, November 1986.

"The Measurement of Vertical Economies and the Efficient Structure of the Electric Utility Industry" with David L. Kaserman, American Economic Association annual meetings, San Francisco, California, December 1983.

"Regulation, Advertising and Economic Welfare" (with David L. Kaserman), Southern Economic Association annual meetings, Washington, D.C., November 1983.

"Multiproduct Monopoly, Regulation and Firm Costs," Southern Economic Association meetings, Atlanta, Georgia, November 1982.

"Forecasting Economic Activity in Tennessee with a Quarterly Econometric Model," Southeastern Economic Analysis Conference, Charlotte, North Carolina, September 1982.

"The Technological Determinants of U.S. Energy Industry Structure." Regulatory Workshop, Center for the Study of American Business and the Department of Economics, Washington University, December 1981.

WORKING PAPERS:

"A Unification of the Graphical Exposition of the Economic Theory of Regulation," (with T. Randolph Beard and David L. Kaserman), March 2005.

"The Influence of Firms on Government" (with Mirjam Schiffer), November 2004.

"Common Costs and Cross-Subsidies: Why do Common Costs Appear so Large in Regulated Industries?" (with Mark L. Burton and David L. Kaserman), September 2004.

"Understanding Participation in Social Programs: Why Don't Households Pick up the Lifeline?" (with Mark Burton), March 2005.

"Warm Glow and Charitable Giving: Why Don't the Wealthy Give More to Charity" (with Catherine H. Tinsley), June 2001.

EDITORIAL REVIEWER:

National Science Foundation, Brookings Institution, Federal Trade Commission, The MIT Press, American Economic Review, Quarterly Journal of Economics, Journal of Law and Economics, Economic Journal, Journal of Business, RAND Journal of Economics, Journal of Regulatory Economics, Review of Economics and Statistics, Economic Inquiry, Journal of Industrial Economics, Journal of Economics & Management Strategy, Review of Industrial Organization, Scandinavian Journal of Economics, Eastern Economic Journal, Southern Economic Journal, Contemporary Economic Policy, Industrial Relations, Growth and Change, Review of Regional Studies, Journal of Economics and Business, Quarterly Review of Economics and Business, Journal of Policy Analysis and Management, Quarterly Journal of Business and Economics, Regional Science and Urban Economics, Financial Review, Journal of Money, Credit, and Banking, Social Science Quarterly, Telecommunications Systems, Public Finance Quarterly, Japan and the World Economy, Energy Economics

EDITORIAL, CORPORATE BOARDS AND OVERSIGHT BODIES

Editorial Board, Journal of Regulatory Economics, 1999-present.

Editorial Board, Review of Industrial Organization, 2002-2003.

Board of Directors, Vice President, National Safety Council, October 2002- present.

Board of Trustees, Occupational and Environmental Health Foundation, June 2003-present.

Research Advisory Committee, National Regulatory Research Institute (Ohio State University), 1993-1997.

PROFESSIONAL MEMBERSHIPS AND COMMITTEES:

American Economic Association
Western Economic Association
Southern Economic Association
American Law and Economics Association
International Telecommunications Society
European Association for Research in Industrial Economics

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In the Matter of: Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. From Sprint Nextel Corporation to LTD Holding Company	)))))))))	Docket No. ________________

MOTION FOR ADOPTION OF PROTECTIVE ORDER

I. INTRODUCTION

On August 24, 2005, Sprint Nextel Corporation ("Sprint") submitted the above-captioned application ("Application") requesting the Tennessee Regulatory Authority's ("Authority's") approval for the transfer of control of United Telephone-Southeast, Inc. ("UTSE"), Sprint Long Distance, Inc. ("LTD Long Distance") and Sprint Payphone Services, Inc. ("SPSI") from Sprint to LTD Holding Company. As discussed in the Application, Sprint plans to separate its wireline local service operation into an independent stand alone operation. As part of that transaction, a new holding company, LTD Holding Company, has been created and control of the Sprint operating companies serving local customers will be transferred to LTD Holding Company. In connection with this separation, Sprint requests in the Application that the Authority approve the change of control of UTSE, LTD Long Distance and SPSI from Sprint to LTD Holding Company.

In order to facilitate the disclosure of documents and information and to protect confidential information filed by the parties during the course of this proceeding, Sprint respectfully requests that the Authority adopt the protective order ("Protective Order" or "Order") attached hereto to govern this proceeding. The Protective Order would allow parties providing information and documents to mark qualifying material as "Confidential" (contains proprietary and confidential material) and/or "Highly Confidential" (contains competitively-sensitive information the disclosure of which would competitively disadvantage the party or otherwise pose a serious business risk). Under the terms of the Order, only authorized persons with the receiving party could access the material and any disclosure of the material to unauthorized persons would be prohibited.

Sprint respectfully submits that the interest in maintaining the confidential status of qualifying material, and avoiding the substantial competitive harm to parties that otherwise would result, outweighs any interest in disclosing the material to unauthorized parties or in proceedings unrelated to the Application. On that basis, Sprint moves the Authority to adopt the proposed Protective Order, which is significantly based on the Authority's standard protective order.

II. DISCUSSION

A protective order allows the Authority to manage the discovery process in a particular proceeding in a manner that furthers the goal of full disclosure of relevant, non-sensitive information while at the same time protecting participants from harm that would result from the unregulated disclosure of commercially-sensitive information. The Authority has substantial latitude in deciding when a protective order is appropriate and the degree of protection that is required.

"Good cause" for a protective order exists if a party or parties will suffer specific prejudice or harm in the absence of such an order. One example of such harm is the injury that would result from the unprotected disclosure of a party's confidential, commercially-sensitive information. In the absence of an appropriate protective order, production of material containing confidential and proprietary information easily could result in that information ending up in the hands of the party's competitors, causing that party significant harm. When the interest in protecting the confidentiality of the commercially-sensitive information and avoiding such harm outweighs any negative impact on the need to inform the public of matters of legitimate public concern, a protective order is warranted.

In this proceeding, Sprint anticipates that parties and Authority Staff will seek the production of documents and information from Sprint that contain material of varying levels of commercial sensitivity. Sprint expects that parties will seek production of "Confidential" material that contains proprietary information as well as even more sensitive "Highly Confidential" material, such as that containing information on the market plans of various Sprint entities, particularized data on Sprint's network facilities and information regarding the revenues, costs, marketing plans and business strategies of various Sprint entities.

Unrestricted disclosure of Sprint's commercially-sensitive information would cause significant harm to Sprint. Such disclosure would give Sprint's competitors an unfair advantage in the intensely competitive market for telecommunications services. These competitors would enjoy an unobstructed eye into Sprint's business affairs which would give them a distinct and unjust competitive edge far into the future. For example, armed with knowledge of Sprint's cost structure and marketing plans, a competitor could develop and roll out competing products much more efficiently and quickly than otherwise would be the case. Accordingly, Sprint has a strong interest in maintaining the confidentiality of this information and preventing its competitors from gaining access to it.

The compelling interest of Sprint, and potentially other parties, in maintaining the confidentiality of their commercially-sensitive information is balanced against the public interest in the disclosure of information necessary to evaluate the proposed transfer of UTSE, LTD Long Distance and SPSI to LTD Holding Company. Sprint respectfully submits that limiting the disclosure of a small subset of commercially-sensitive information to authorized persons participating in this proceeding, while allowing unrestricted public access to all other information, effectively serves this public interest. Sprint cannot conceive of how any legitimate issue of "public concern" would require unrestricted disclosure of the type of confidential and proprietary business information Sprint seeks to protect. Thus, the balance of interests fully supports adoption of the attached Protective Order.

As proposed by Sprint, the Protective Order, which as previously stated, is significantly based on the Authority's standard protective order establishes a two-tier structure based upon the "Confidential" and "Highly Confidential" classifications. As noted above, the "Confidential" category would include proprietary and confidential material. The "Highly Confidential" category would include particularly sensitive information the disclosure of which would competitively disadvantage the party and pose a serious business risk, such as particularized data regarding network facilities, revenues and costs, marketing plans and business strategies. "Highly Confidential" information would be subject to more stringent protection appropriate to its much more sensitive content. The two-tiered approach permits somewhat more flexible use by authorized parties of confidential information that is less-sensitive but still requires protection, while reserving stricter protections for the most commerically-sensitive material. Sprint respectfully submits that such an approach best balances the public interest in maximizing appropriate disclosure while protecting parties from the harm that would result from unrestricted disclosure of commercially-sensitive information.

III. CONCLUSION

Based upon the foregoing, Sprint respectfully requests that the Tennessee Regulatory Authority adopt the attached Protective Order to govern these proceedings.

Respectfully submitted this 24th day of August, 2005.

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Attorneys for:

Sprint Nextel Corporation, United Telephone-Southeast, Inc., Sprint Long Distance, Inc., and Sprint Payphone Services, Inc.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In the Matter of:	)	
	)	
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. From Sprint Nextel Corporation to LTD Holding Company	))))))	Docket No. ________________
	)	

PROTECTIVE ORDER

In order to expedite the flow of filings, exhibits and other materials, and to facilitate the prompt resolution of disputes as to the confidentiality of such material, adequately protect material entitled to be kept confidential and to ensure that protection is afforded only to material so entitled; the Tennessee Regulatory Authority ("Authority") hereby orders that:

1. For the purpose of this Protective Order (the "Order"), proprietary or confidential information, hereinafter referred to as "CONFIDENTIAL or HIGHLY CONFIDENTIAL INFORMATION" shall mean documents and information in whatever form which the producing party in good faith deems to contain or constitute trade secrets, confidential research, development, financial statements or other commercially sensitive information, and which has been so designated by the producing party. A "producing party" is defined as the party creating the confidential information as well as the party having actual physical possession of information produced pursuant to this Order. All summaries, notes, extracts, compilations or other direct or indirect reproduction

from or of any protected materials, shall be entitled to protection under this Order. Documents containing CONFIDENTIAL or HIGHLY CONFIDENTIAL INFORMATION shall be specifically marked on the cover. Any document so designated shall be handled in accordance with this Order. The provisions of any document containing CONFIDENTIAL INFORMATION or HIGHLY CONFIDENTIAL INFORMATION may be challenged under Paragraph 11 of this Order.

2. Any individual or company subject to this Order, including producing parties or persons reviewing CONFIDENTIAL INFORMATION, shall act in good faith in discharging their obligations hereunder. Parties or nonparties subject to this Order shall include parties which are allowed by the TRA to intervene subsequent to the date of entry of this Protective Order. Any party, person, or entity that receives Confidential Information pursuant to this Order shall not disclose such Confidential Information to any person, except persons who are described in section 3 below and who have signed a nondisclosure agreement in the form which is attached hereto and incorporated herein as Exhibit "A." Court reporters shall also be required to sign an Exhibit "A" and comply with the terms of this Order.

The nondisclosure agreement (Exhibit "A") requires the person(s) to whom disclosure is to be made to read a copy of this Order and to certify in writing that he/she has reviewed the same and has consented to be bound by its terms. The agreement shall contain the signatory's full name, employer, job title and job description, business address and the name of the party with whom the signatory is associated. Such agreement shall be delivered to counsel for the producing party before disclosure is made, and if no objection thereto is registered to the Commission within three (3) business days, then disclosure shall follow. An attorney who makes Confidential Information available to any person listed in Section 3 below shall be responsible for having each such person execute an original of Exhibit "A" and a copy of all such signed Exhibit "A's" shall be circulated to all other counsel of record promptly after execution.

3. CONFIDENTIAL INFORMATION shall be used only for purposes of this proceeding and shall be disclosed only to the following persons:

(a) counsel of record for the parties in this case and associates, secretaries, and paralegals actively engaged in assisting counsel of record in this and the designated related proceedings;

(b) in-house counsel for the parties;

(c) officers, directors, or employees of the parties, including employees of the Consumer Advocate Division, who are directly and specifically consulted or involved in this docket; provided, however, that CONFIDENTIAL INFORMATION shall be shown only to those persons having a need to know;

(d) Authority Directors and members of the staff of the Authority;

(e) outside consultants and expert witnesses employed or retained by the parties or their counsel, who have access to CONFIDENTIAL INFORMATION solely for evaluation, testing, testimony, preparation for trial or other services related to this docket, provided that to the extent that any party seeks to disclose CONFIDENTIAL INFORMATION to any outside consultant or expert witness who is expected to testify on that party's behalf, the party shall give five (5) days' written notice to the producing party of intention to disclose CONFIDENTIAL INFORMATION. During such notice period, the producing party may move to prevent or limit disclosure for cause, in which case no disclosure shall be made until the Tennessee Regulatory Authority, the Pre-Hearing Officer, the Administrative Law Judge or court rules on the motion. Any such motion shall be filed within three (3) days after service of the notice. Pre-Hearing conferences may be called to confer with the parties on the Motions to Limit Disclosure. All service shall be by hand delivery or by facsimile.

Under no circumstances shall any CONFIDENTIAL INFORMATION or copies therefore be disclosed to or discussed with anyone associated with the marketing of services in competition with the products, goods or services of the producing party.

4. Prior to disclosure of CONFIDENTIAL INFORMATION to any Authority Director, member of the Authority Staff, employee, officer or director of the parties, including any

employees of the Consumer Advocate Division, the counsel representing the party who is to receive the CONFIDENTIAL INFORMATION, shall provide a copy of this Order to the recipient Director, staff member, employee, officer, or director, who shall be bound by the terms of this Order.

5. Highly Confidential Information. Any person, whether a party or non-party, may designate certain competitively sensitive Confidential Information as "Highly Confidential Information" if it determines in good faith that it would be competitively disadvantaged by the disclosure of such information to its competitors. Highly Confidential Information includes, but is not limited to, documents, pleadings, briefs and appropriate portions of deposition transcripts, which contain information regarding the market share of, number of access lines served by or number of customers receiving a specified type of service from a particular provider or other information that relates to a particular provider's network facility location detail, revenues, costs, and marketing, business planning or business strategies.

Parties must scrutinize carefully responsive documents and information and limit their designations as Highly Confidential Information to information that truly might impose a serious business risk if disseminated without the heightened protections provided in this section. The first page and individual pages of a document determined in good faith to include Highly Confidential Information must be marked by a stamp that reads:

Placing a "Highly Confidential" stamp on the first page of a document indicates only that one or more pages contain Highly Confidential Information and will not serve to protect the entire contents of a multi-page document. Each page that contains Highly Confidential Information must be marked separately to indicate Highly Confidential Information, even where that information has been redacted.

Parties seeking disclosure of Highly Confidential Information must designate the person(s) to whom they would like the Highly Confidential Information disclosed in advance of disclosure by the providing party. Such designation may occur through the submission of the non-disclosure agreement in the form which is attached hereto and incorporated herein as Exhibit "B." Parties seeking disclosure of Highly Confidential Information shall not designate more than (1) a reasonable number of in-house attorneys who have direct responsibility for matters relating to Highly Confidential Information; (2) five in-house experts; and (3) a reasonable number of outside counsel and outside experts to review materials marked as "Highly Confidential." Disclosure of Highly Confidential Information to Commissioners, Hearing Officers and Staff members shall be limited to persons to whom disclosure is necessary. The Exhibit "B" also shall describe in detail the job duties or responsibilities of the person being designated to see Highly Confidential Information and the person's role in the proceeding. Highly Confidential Information may not be disclosed to persons engaged in strategic or competitive decision making for any party, including, but not limited to, the sale or marketing or pricing of products or services on behalf of any party.

Any party providing either Confidential Information or Highly Confidential Information may object to the designation of any individual as a person who may review Confidential Information and/or Highly Confidential Information. Such objection shall be made in writing to counsel submitting the challenged individual's Exhibit "A" or "B" within three (3) business days after receiving the challenged individual's signed Exhibit "A" or "B." Any such objection must demonstrate good cause to exclude the challenged individual from the review of the Confidential Information or Highly Confidential Information. Written response to any objection shall be made within three (3) business days after receipt of an objection. If, after receiving a written response to a party's objection, the objecting party still objects to disclosure of either Confidential Information or Highly Confidential Information to the challenged individual, the Commission shall determine whether Confidential Information or Highly Confidential Information must be disclosed to the challenged individual.

Copies of Highly Confidential Information may be provided to the in-house attorneys, outside counsel and outside experts who have signed Exhibit "B." The in-house experts who have signed Exhibit "B" may inspect, review and make notes from the in-house attorney's copies of Highly Confidential Information.

Persons authorized to review the Highly Confidential Information will maintain the documents and any notes reflecting their contents in a secure location to which only designated counsel and experts have access. No additional copies will be made, except for use during hearings and then such disclosure and copies shall be subject to the provisions of Section 6. Any testimony or exhibits prepared that reflect Highly Confidential Information must be maintained in the secure location until removed to the hearing room for production under seal. Unless specifically addressed in this section, all other sections of this Protective Order applicable to Confidential Information also apply to Highly Confidential Information.

6. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL or HIGHLY CONFIDENTIAL in accordance with the provisions of this Order when producing such documents, such failure shall not constitute a waiver of confidentiality; provided the party or non-party who has produced the document shall notify the recipient of the document in writing within five (5) days of discovery of such inadvertent failure to designate the document as CONFIDENTIAL or HIGHLY CONFIDENTIAL. At that time, the recipients will immediately treat the subject document as CONFIDENTIAL or HIGHLY

CONFIDENTIAL. In no event shall the Authority be liable for any claims or damages resulting form the disclosure of a document while not so designated as CONFIDENTIAL or HIGHLY CONFIDENTIAL. An inadvertent failure to designate a document as CONFIDENTIAL or HIGHLY CONFIDENTIAL shall not, in any way, affect the Authority's determination as to whether the document is entitled to CONFIDENTIAL status.

7. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL or HIGHLY CONFIDENTIAL in accordance with the provisions of this Order when producing such documents and such failure is not discovered in time to provide five (5) day notification to the recipient of the confidential nature of the documents referenced in the paragraph above, the failure shall not constitute a waiver of confidentiality and a party by written motion or by oral motion at a Pre-Hearing Conference called for the purpose or at the Hearing on the merits may request designation of such documents as CONFIDENTIAL or HIGHLY CONFIDENTIAL, and if the motion is granted by the Pre-Hearing Officer, Administrative Law Judge, or the Authority, the recipients shall immediately treat the subject documents as CONFIDENTIAL or HIGHLY CONFIDENTIAL. The Tennessee Regulatory Authority, the Pre-Hearing Officer or Administrative Law Judge may also, at his or her discretion, either before or during the Pre-Hearing Conference or hearing on the merits of the case, allow information to be designated CONFIDENTIAL or HIGHLY CONFIDENTIAL and treated as such in accordance with the terms of this Order.

8. Any papers filed in this proceeding that contain, quote, paraphrase, compile or otherwise disclose documents covered by the terms of this Order, or any information contained therein, shall be filed and maintained in the Authority's Docket Room in sealed envelopes marked CONFIDENTIAL or HIGHLY CONFIDENTIAL and labeled to reflect the style of this proceeding,

the docket number, the contents of the envelope sufficient to identify its subject matter, and this Protective Order. Such envelopes shall be maintained in a locked filing cabinet. The envelopes shall not be opened or their contents reviewed by anyone except upon order of the Authority, Pre-Hearing Officer, or Administrative Law Judge after due notice to counsel of record. Notwithstanding the foregoing, the Directors and the Staff of the Authority may review any paper filed as CONFIDENTIAL or HIGHLY CONFIDENTIAL without obtaining an order of the Authority, Pre-Hearing Officer or Administrative Law Judge, provided the Directors and Staff maintain the confidentiality of the paper in accordance with the terms of this Order.

9. Documents, information and testimony designated as CONFIDENTIAL or HIGHLY CONFIDENTIAL, in accordance with this Order, may be disclosed in testimony at the hearing of this proceeding and offered into evidence used in any hearing related to this action, subject to the Tennessee Rules of Evidence and to such future orders as the Authority, the Pre-Hearing Officer, or the Administrative Law Judge may enter. Any party intending to use documents, information, or testimony designated CONFIDENTIAL or HIGHLY CONFIDENTIAL shall inform the producing party and the Authority, the Pre-Hearing Officer, or the Administrative Law Judge, prior to the hearing on the merits of the case in the manner designated previously in this Order, of the proposed use; and shall advise the Authority, the Pre-Hearing Officer, or the Administrative Law Judge, and the producing party before use of such information during cross-examination so that appropriate measures can be taken by the Authority, the Pre-Hearing Officer, or the Administrative Law Judge, and/or requested by the producing party in order to protect the confidential nature of the information.

10. Except for documents filed in the Authority Docket Room, all documents covered by the terms of this Order that are disclosed to the requesting party shall be maintained separately in

files marked CONFIDENTIAL or HIGHLY CONFIDENTIAL and labeled with reference to this Order at the offices of the requesting party's counsel of record and returned to the producing party pursuant to Paragraph 16 of this Order.

11. Nothing herein shall be construed as preventing any party from continuing to use and disclose any information (a) that is in the public domain, or (b) that subsequently becomes part of the public domain through no act of such party, or (c) that is disclosed to it by a third party, where said disclosure does not itself violate any contractual or legal obligation, or (d) that is independently developed by a party, or (e) that is known or used by it prior to this proceeding. The burden of establishing the existence of (a) through (e) shall be upon the party attempting to use or disclose such information.

12. Any party may contest the designation of any document or information as CONFIDENTIAL or HIGHLY CONFIDENTIAL by applying to the Authority, Pre-Hearing Officer, Administrative Law Judge or the courts, as appropriate, for a ruling that the documents information, or testimony should not be so treated. All documents, information and testimony designated as CONFIDENTIAL or HIGHLY CONFIDENTIAL, however, shall be maintained as such until the Authority, the Pre-Hearing Officer, the Administrative Law Judge, or a court orders otherwise. A Motion to contest must be filed not later than ten (10) days prior to the Hearing on the Merits. Any Reply from the Company seeking to protect the status of their CONFIDENTIAL INFORMATION or HIGHLY CONFIDENTIAL INFORMATION must be received not later than five (5) days prior to the Hearing on the Merits and shall be presented to the Authority at the Hearing on the merits for a ruling.

13. Nothing in this Order shall prevent any party from asserting any objection to discovery other than an objection based upon grounds of confidentiality.

14. Non-party witnesses shall be entitled to invoke the provisions of this Order by designating information disclosed or documents produced for use in this action as CONFIDENTIAL and by filing an appropriate motion with the Authority, in which event the provisions of this Order shall govern the disclosure of information or documents provided by the non-party witness. A non-party witness' designation of information as CONFIDENTIAL OR HIGHLY CONFIDENTIAL may be challenged under Paragraph 11 of this Order.

15. No person authorized under the terms herein to receive access to documents, information, or testimony designated as CONFIDENTIAL shall be granted access until such person has complied with the requirements set forth in paragraphs 2 or 3 of this Order.

16. Any person to whom disclosure or inspection is made in violation of this Order shall be bound by the terms of this Order.

17. Upon an order becoming final in this proceeding or any appeals resulting from such an order, all the filings, exhibits and other materials and information designated CONFIDENTIAL or HIGHLY CONFIDENTIAL and all copies thereof shall be returned to counsel for the party who produced (or originally created) the filings, exhibits and other materials, within fifteen (15) days. Counsel in possession of such documents shall certify to counsel for the producing party that all the filings, exhibits and other materials, plus all copies or extracts from the filings, exhibits and other materials, and all copies of the extracts from the filing, exhibits and other materials thereof have been delivered to counsel for the producing party or destroyed.

18. After termination of this proceeding, the provisions of this Order relating to the secrecy and confidential nature of CONFIDENTIAL or HIGHLY CONFIDENTIAL DOCUMENTS, information and testimony shall continue to be binding upon parties herein and

their officers, employers, employees, agents, and/or others for five years unless this Order is vacated or modified.

19. Nothing herein shall prevent entry of a subsequent order, upon an appropriate showing, requiring that any documents, information or testimony designated as CONFIDENTIAL or HIGHLY CONFIDENTIAL shall receive protection other than that provided herein.

20. That any party aggrieved with the Authority's decision in this matter may file a petition for Reconsideration with the Authority within (10) days from and after the date of this Order.

21. That any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Court of Appeals for the State of Tennessee, Middle Section at Nashville, within sixty (60) days from and after the date of this Order.

____

Hearing Officer

EXHIBIT "A"
CONFIDENTIAL INFORMATION

I have read the foregoing Protective Order dated ____________, 2005, in Docket No. __________ and agree to be bound by the terms and conditions of this Order.

____
Name

____
Employer

____
Job Title and Job Description

____

____

____

Business Address

____
Party

____
Signature

____
Date

EXHIBIT "B"
HIGHLY CONFIDENTIAL INFORMATION

I have read the foregoing Protective Order dated _____________, 2005, in Docket No. ___________ and agree to be bound by the terms and conditions of this Order.

____
Name

____
Employer

____
Job Title and Job Description

____

____

____
Business Address

____
Party

____
Signature

____
Date