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. 05-00240

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

*** PUBLIC VERSION ***

("HIGHLY CONFIDENTIAL" MATERIAL REDACTED)
(NO "CONFIDENTIAL" MATERIAL INCLUDED)

Q. Please state your name and business address.

A My name is Kevin P. Collins My business address is Houlihan, Lokey, Howard & Zukin Financial Advisors, Inc, 245 Park Avenue, 19th Floor, New York, NY 10167.

Q. By whom are you employed and in what capacity?

A. I am employed as a managing director at Houlihan, Lokey, Howard & Zukin Financial Advisors, Inc ("HL"). 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. Attachment KPC-1 is a further description of HL as well as a summary of my personal experience.

Q. Please summarize your educational background and experience in corporate finance.

A. 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.

Q. What is the purpose of your testimony in this proceeding?

A 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 testimony as Attachment 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.

Q. Please summarize the development of the analysis and valuation contained in the report.

A. 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.

In addition, 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.

Finally, we understand that Sprint has obtained indicative ratings for LTD Holding Company from major ratings agencies.

Q. What are the primary considerations in determining whether a company has adequate capital?

A. 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."

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.

Q. What methods are employed to estimate the fair value of assets of a company?

A We 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.

Q. Is book value of equity a relevant indicator of fair value for the company's assets?

A. In this case, no. 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

Q. Based on the current intentions of Sprint Corporation regarding the separation of the local telecommunications division, including the anticipated debt and dividend levels of LTD Holding Company, what are your summary conclusions?

A. 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]** (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)

Q. Is the anticipated level of debt of LTD Holding Company after the separation within the levels that can be observed for similar industry participants?

A. Yes. 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).

Q. **How does LTD Holding Company's anticipated dividend policy factor into the analysis?**

A. 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]** 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.

Q. Do you expect that the anticipated capital structure will limit LTD Holding Company's ability to reinvest in its business?

A. No. 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.

Q. With the proposed capital structure, will LTD Holding Company be in a position to obtain future financing?

A. 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.

Q. How has current and future competition been factored into the analysis?

A. 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.

Q. In summary, what is your view regarding the currently anticipated capital structure of LTD Holding Company?

A. In summary, 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.

Q. Does this conclude your testimony?

A. Yes, it does.

ATTACHMENT KPC-1

Personal Resume and Description of HL

*** PUBLIC VERSION ***
(No "Confidential" or "Highly Confidential" Version)

Attachment KPC-1

NOVEMBER 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

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Summary Qualifications

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.

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

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

Expert Testimony Experience

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

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.

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

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

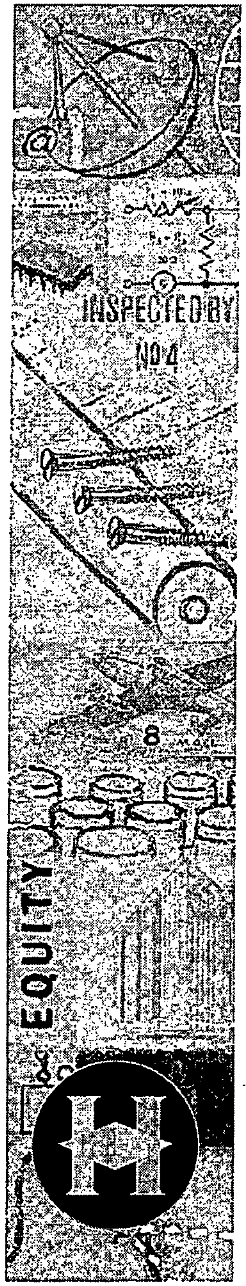
ATTACHMENT KPC-2

Report to Sprint Nextel Corporation

*** PUBLIC VERSION ***
("Highly Confidential" Material Redacted)
(No "Confidential" Material Included)

PUBLIC VERSION

Attachment KPC-2



AUGUST 15, 2005

Report to Sprint Nextel Corporation

Analysis of LTD Holding Company

SPRINT NEXTEL REDACTED PUBLIC VERSION

Houlihan Lokey Howard & Zukin
Financial Advisors
245 Park Avenue, 20th Floor
New York, NY 10167
212-497-4100

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

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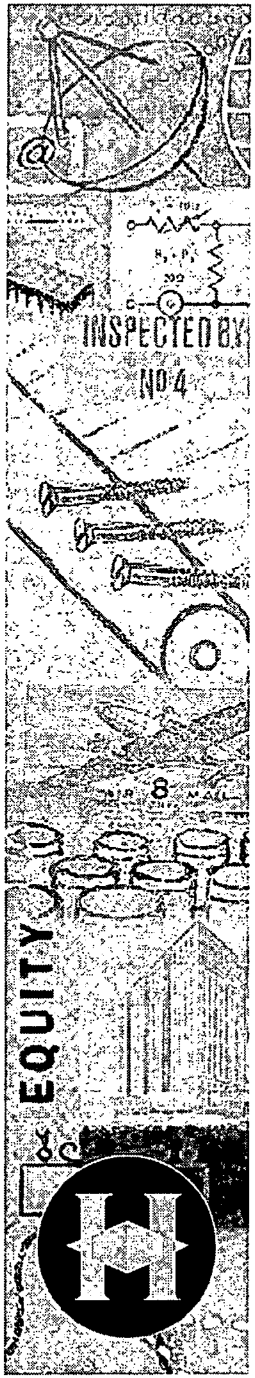


Executive Summary

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

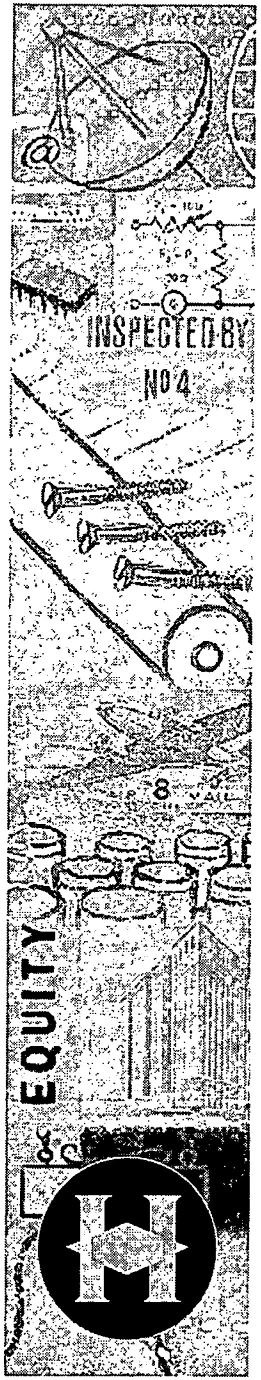
Executive Summary

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]*



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	[REDACTED]								
Total Depreciation									
% of revenue									
EBIT									
% margin									
Interest Expense, Net									
Restructuring and Asset Impairments									
Other Income (expense), net									
Pre-tax Income									
Taxes									
Net Income									
% margin									

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)

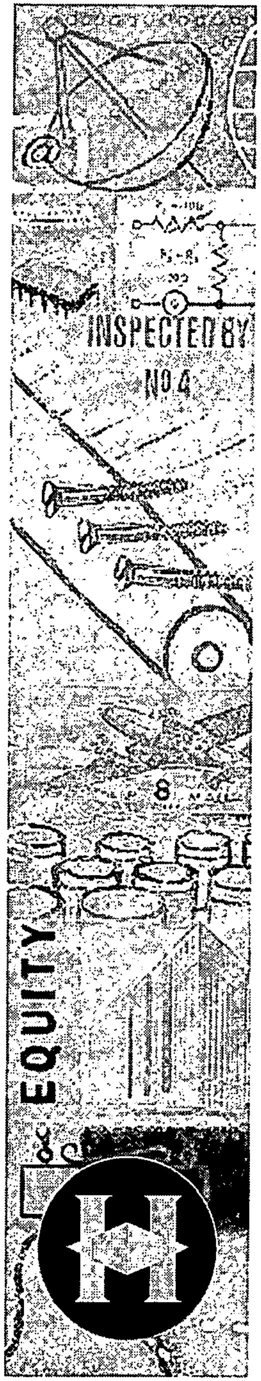
The following table shows the adjustments made to the Company's 12/31/04 actual balance sheet to arrive at a Pro Forma opening balance sheet, reflecting the impact of the Transaction

Pro Forma Opening Balance Sheet 6/1/06

($ millions)

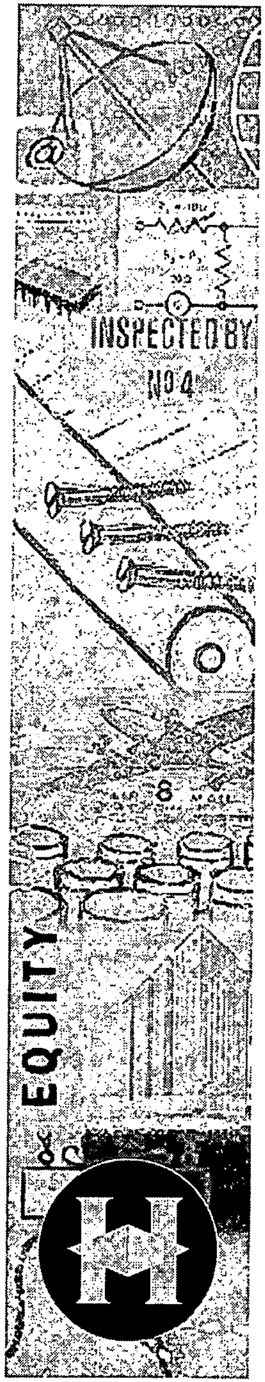
	12/31/04A	Adj	12/31/05E	Adj	6/1/06E	Debt	Parent Debt	Distr	Pro Forma 6/1/2006
Current Assets									
Cash & Equivalents									
Advance Receivables from Sprint Corporation									
Other									
Total current assets									
Gross PP&E									
Accumulated Depreciation									
PP&E, Net									
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]



Telecommunications Industry Analysis

PUBLIC VERSION



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 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
Large Cap									
ALLTEL	$22,991	2,983,250	8,801,285	25%	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%	83%	221	6%	Unconsolidated partnerships	512 [3]
Cincinnati Bell Telephone Co	3,220	959,900	479,000	67%	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 unlesss 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 EV 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%	45.6%	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 Telecommunications	4.1x	13.6%	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 6/1/2006 total debt of $7.25 billion before adjustment for leases Interest expense before adjustment for leases of $[REDACTED] million based on 7 months ending 12/31/2006 annualized Taxes of $[REDACTED] million based on 7 months ending 12/31/2006 annualized

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 2005F [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

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

	Ending Access Lines					Access Line Losses (% change, year over year)			
Company	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 CLLC lines of 23 500 and 31 400 for years ended 2005 and 2006 respectively

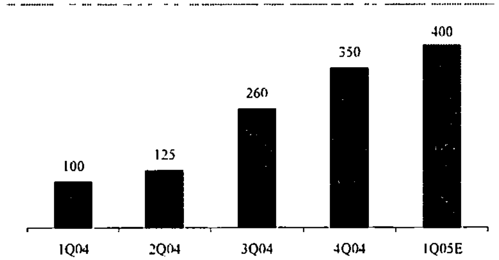
(6) Adjusted to exclude reported CLEC lines of 126 700 138 667 and 138 820 for years ended 2002 2003 and 2004 respecectively Also excludes expected CLEC lines of 136 900 and 134 400 for years ended 2005 and 2006 respectively

Comparable Companies Analysis

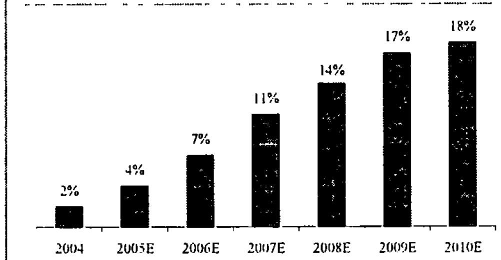
EXPOSURE TO CABLE VOICE COMPETITION

- 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

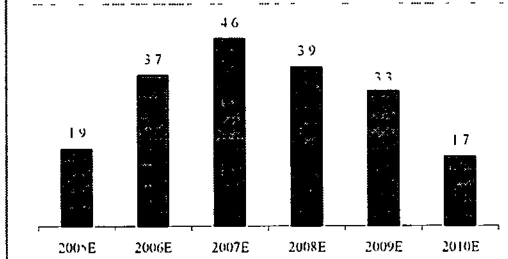
Cable Telephony Net Adds
(in thousands)



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



Cable Telephony Net Adds
(in millions)

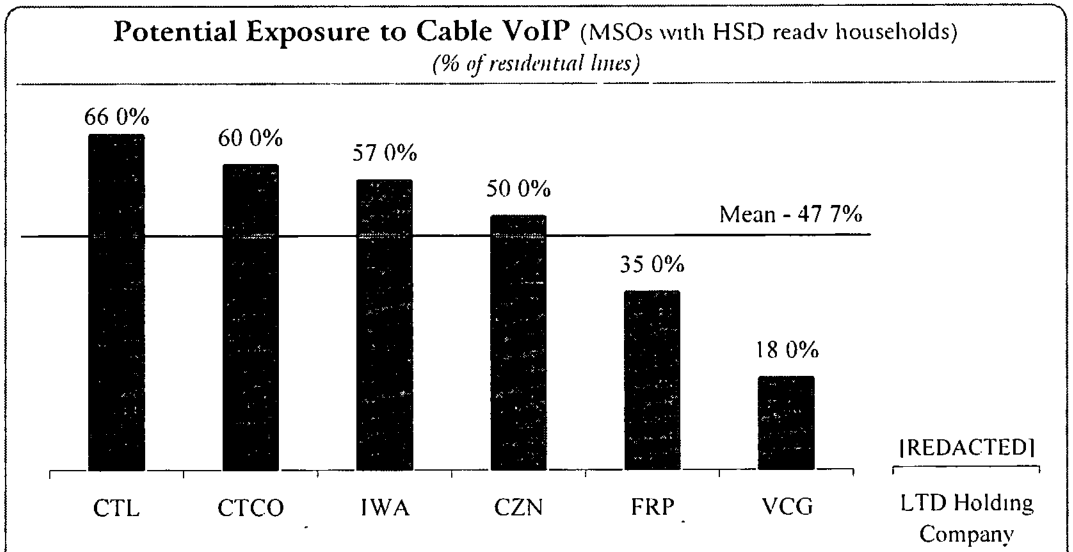


Source Deutsche Bank research report, May 19, 2005

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]



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

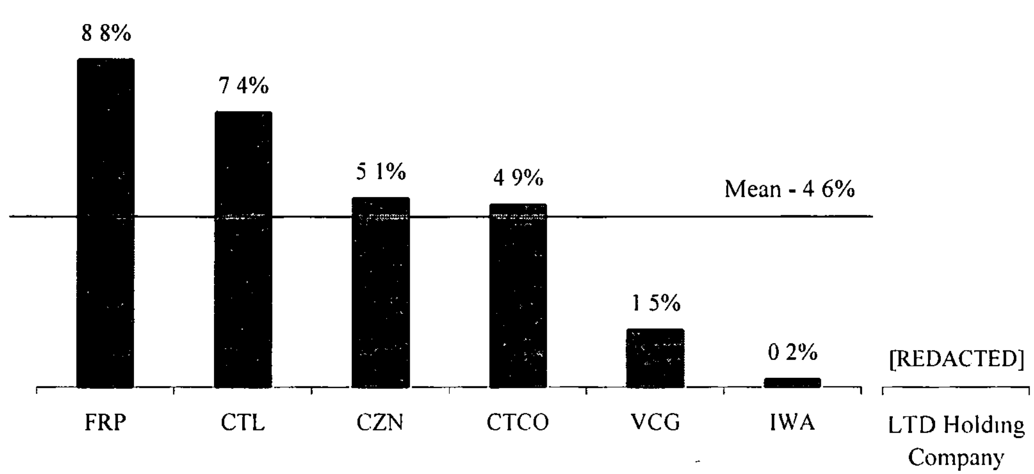
- In urban markets, RBOCs are expected to lose 20-25% of primary residential lines to wireless substitution by 2010
- In rural areas that are less exposed to wireless substitution because of partial and inconsistent wireless coverage, RLECs are expected to lose 15-20% of primary residential lines to 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

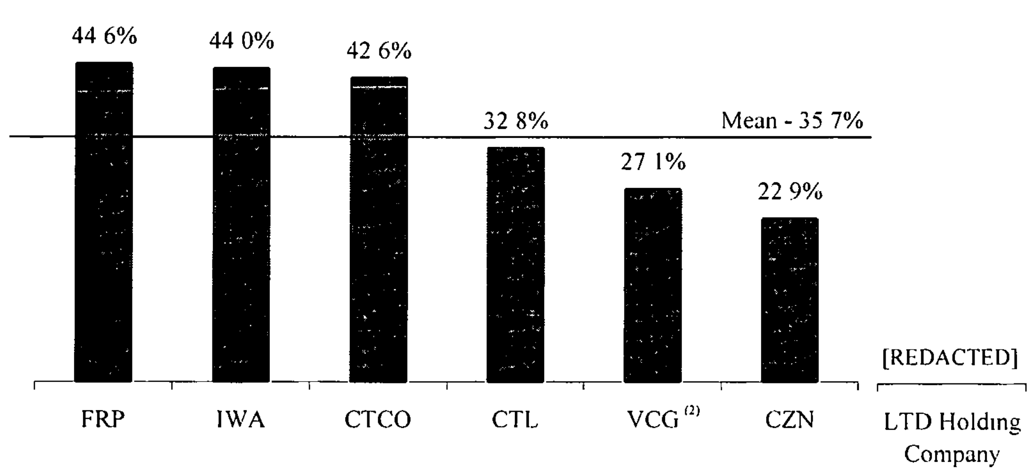
Comparable Companies Analysis

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

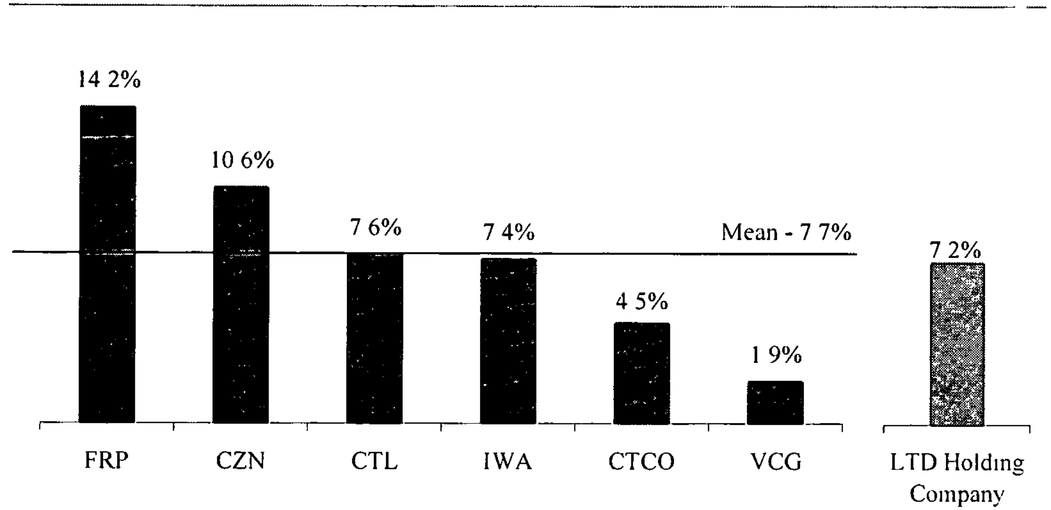
(2) Includes special access revenue

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)

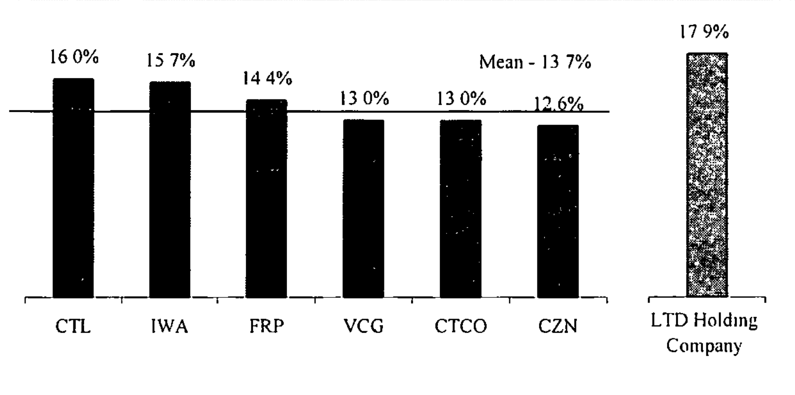


(1) DSL Penetration is defined as DSL lines / Total Access Lines
Source Company filings or Earnings release for quarter ending 3/31/2005

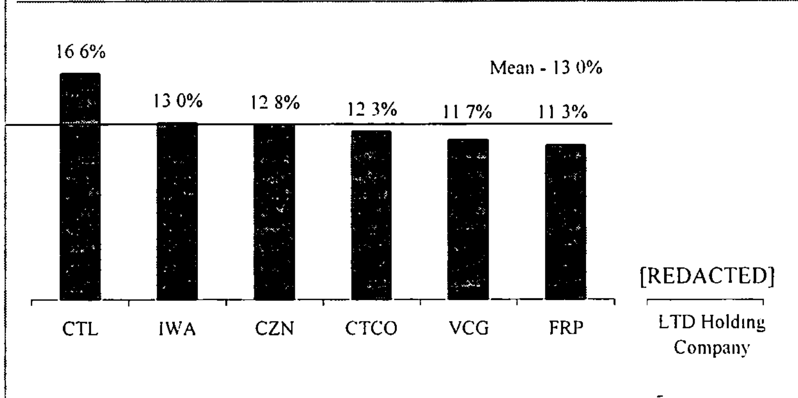
Comparable Companies Analysis

Comparable Company Capital Intensity

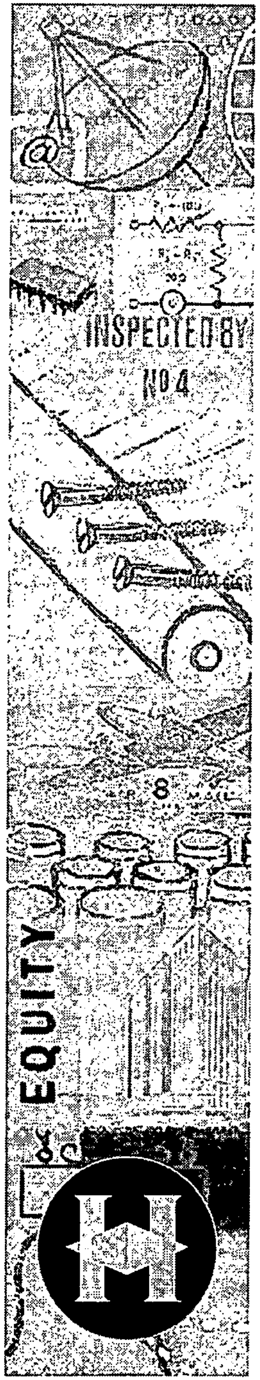
- While historically LTD Holding Company's capital intensity was [REDACTED] its peer group, going forward it is expected to be [REDACTED]
- In 2005, LTD Holding Company expects to [REDACTED] the capital expenditure to revenue ratio to approach the levels forecasted for the comparable companies [REDACTED]



Source Company filings for year ended 12/31/2004

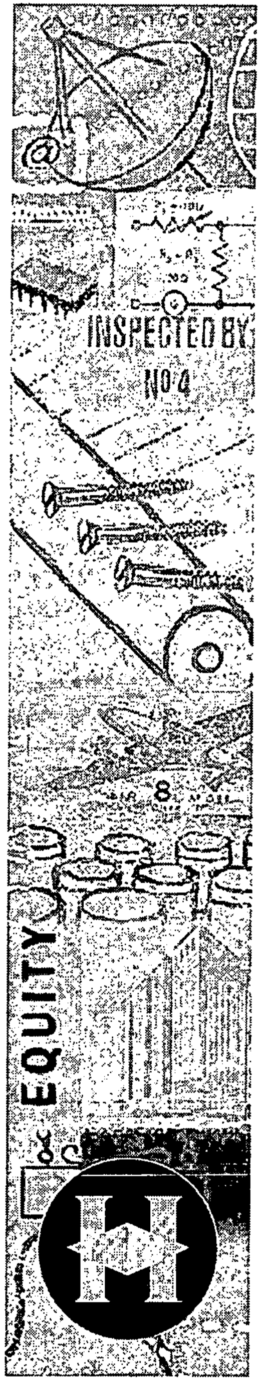


Source Company information and from Wall Street research



Methodology

PUBLIC VERSION



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

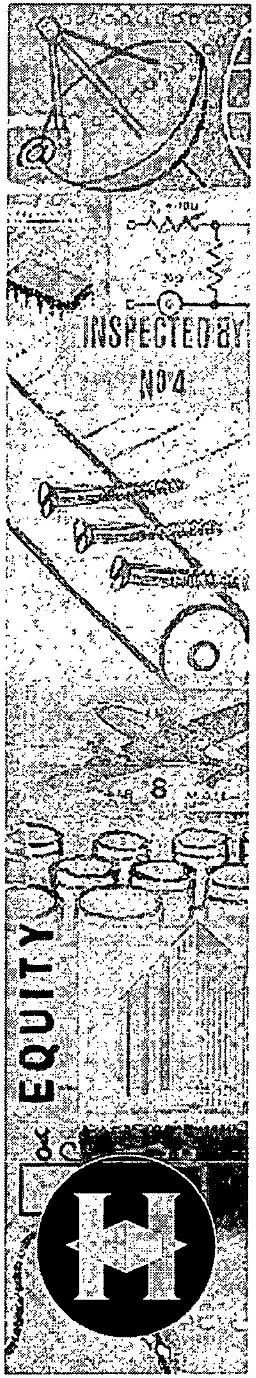
- The Company's financial projections as extended by Houlihan Lokey were utilized in employing the Discounted Cash Flow Approach
- In the DCF Approach, a discount rate is applied to the projected future cash flows to arrive at the present value
  - The discount rate is intended to reflect all risks of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

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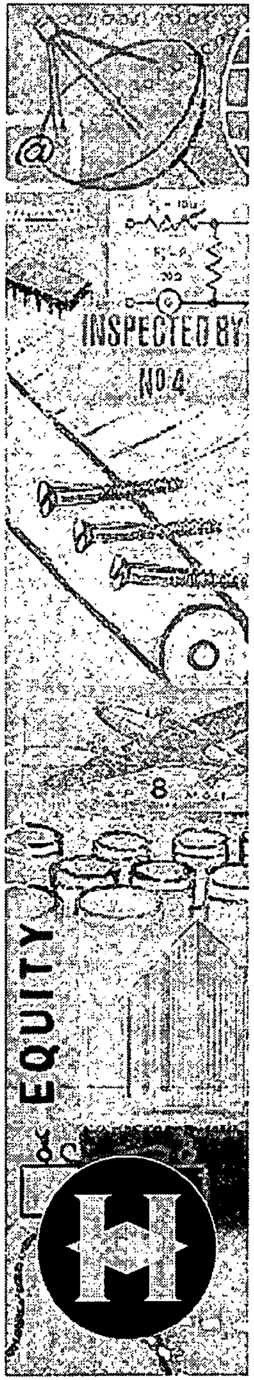
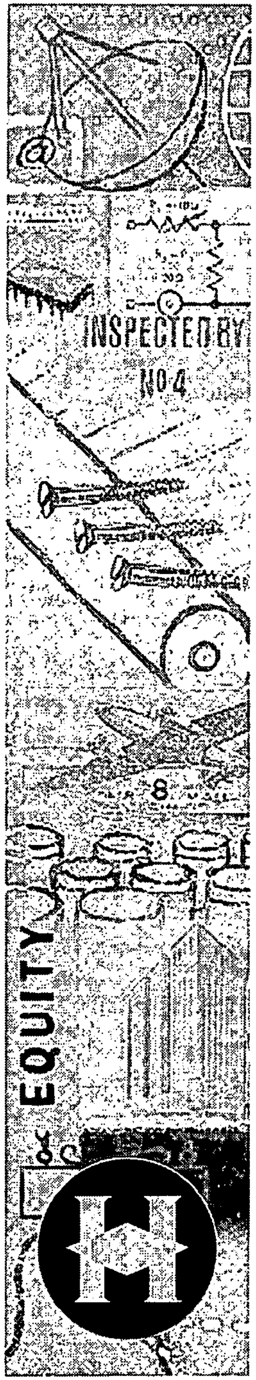


Valuation Analysis



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			
Market Multiple Methodology	[REDACTED]		
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

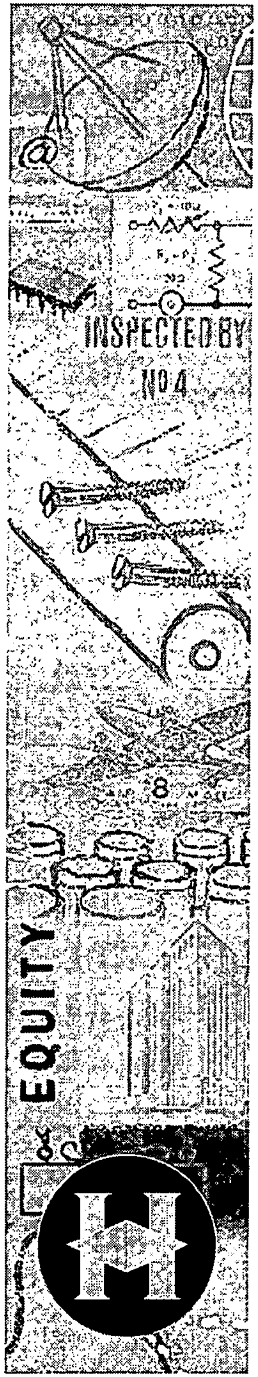
VALUATION SUMMARY (CONTINUED)

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



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	[REDACTED]		
FY 2005PF			
EBITDA			
FY 2006PF			
EBITDA			
Industry Metrics 3/31/05			
Access Lines			
Median			
Mean			
Selected Enterprise Value Range			

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]

Market Multiple Valuation Indication

Comparable Companies Valuation Summary

Comparable Companies Operating Summary

($ in millions, except per share amounts)

Company	Revenue 2004	Revenue 2005E [1]	Revenue 2006E [2]	EBITDA 2004	EBITDA 2005E [2]	EBITDA 2006E [2]	Access Lines 2004	Access Lines LQA	CapEx 2004	CapEx 2005E [2]	FCF before Dividends [1] 2004	FCF before Dividends [1] 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)

Company	Share Price as of 7/1/2005	Total MV Equity [1]	MV Debt	Cash	Market EV	EV to Revenue 2004	EV to Revenue 2005E [2]	EV to Revenue 2006E [2]	EV to EBITDA 2004	EV to EBITDA 2005E [2]	EV to EBITDA 2006E [2]	EV to Access Lines 2004	EV to Access Lines LQA	Implied 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

Comparable Companies Analysis

RISK RANKINGS OF COMPARABLE PUBLIC RLECs

Size (2004 Revenue $ in millions)	
LTD Holding Company	$6 020
CenturyTel	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	239 250

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 3%
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	(2 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 [4] (as % of 2004 Revenue)

[REDACTED]

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

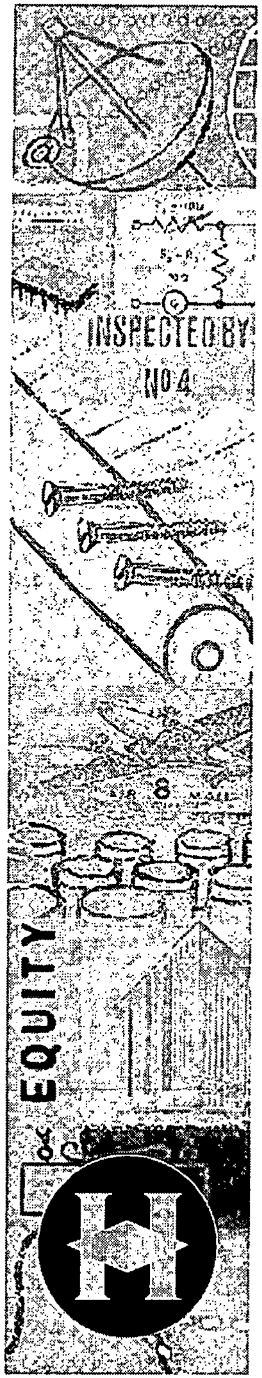
[REDACTED]

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 Froma 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



Valuation Analysis

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

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

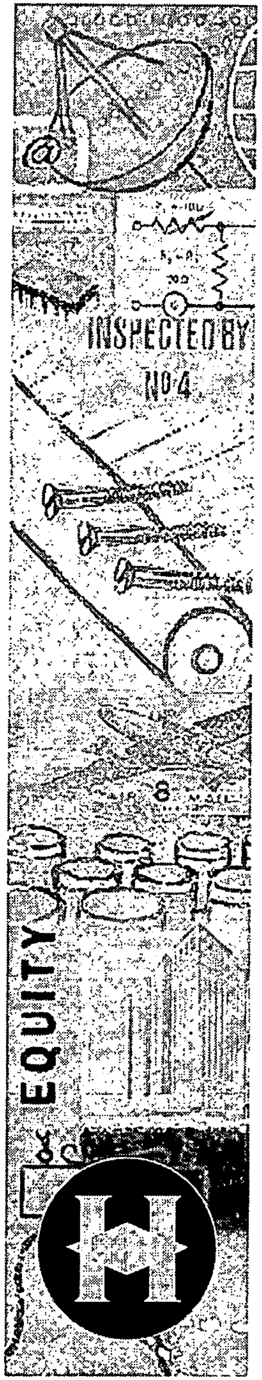
RLEC Precedent Transactions

($ 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



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	

Sensitivity Analysis Enterprise Value

Terminal Multiple

Discount Rate

[REDACTED]

Range of Selected Enterprise Values

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

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

(1) Represents 7-month stub period

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

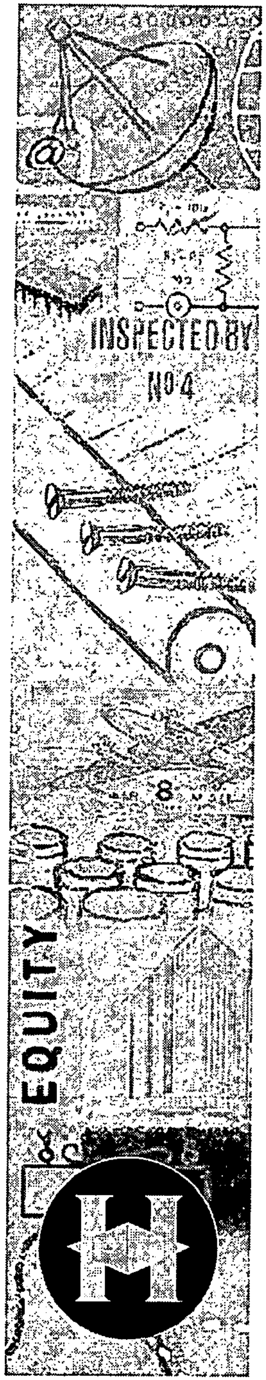
Weighted Average Cost of Capital (WACC) = (Cost of Debt * (1-Tax Rate) * Debt to Enterprise Value) + (Cost of Equity * Equity to Enterprise Value) + (Cost of Preferred * Preferred to Enterprise Value)

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



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

Capital Tests

SUMMARY OF ANALYSES – CASH FLOW STATEMENT AND CREDIT STATISTICS

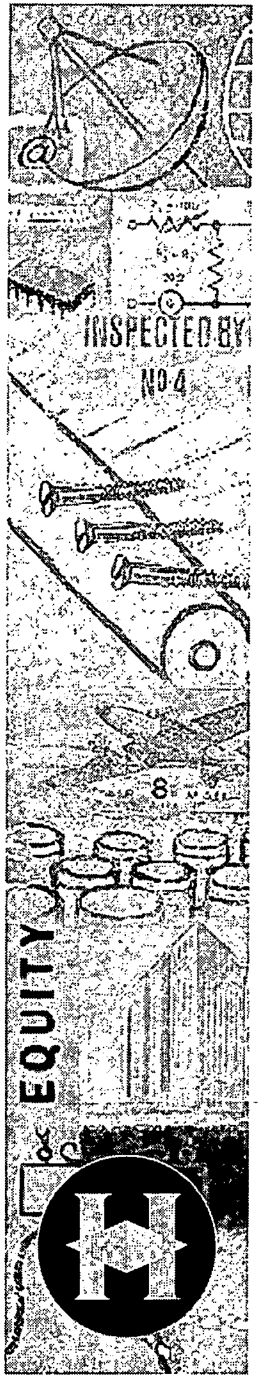
The following tables summarize values and metrics for a range of assumptions

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)															

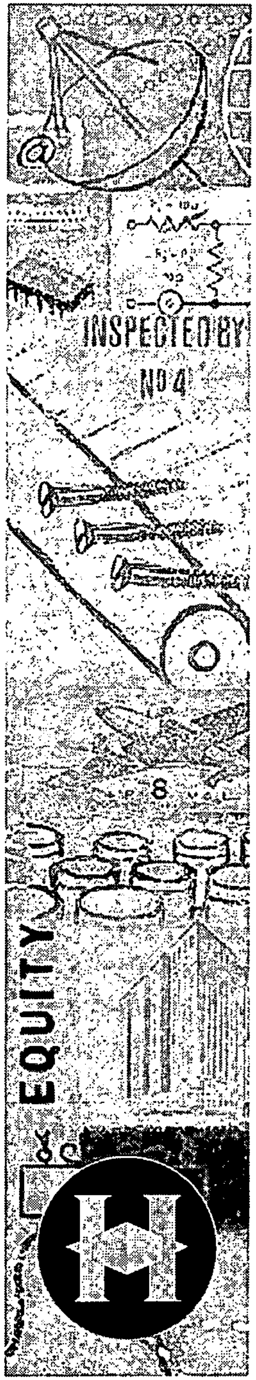
[REDACTED]

(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

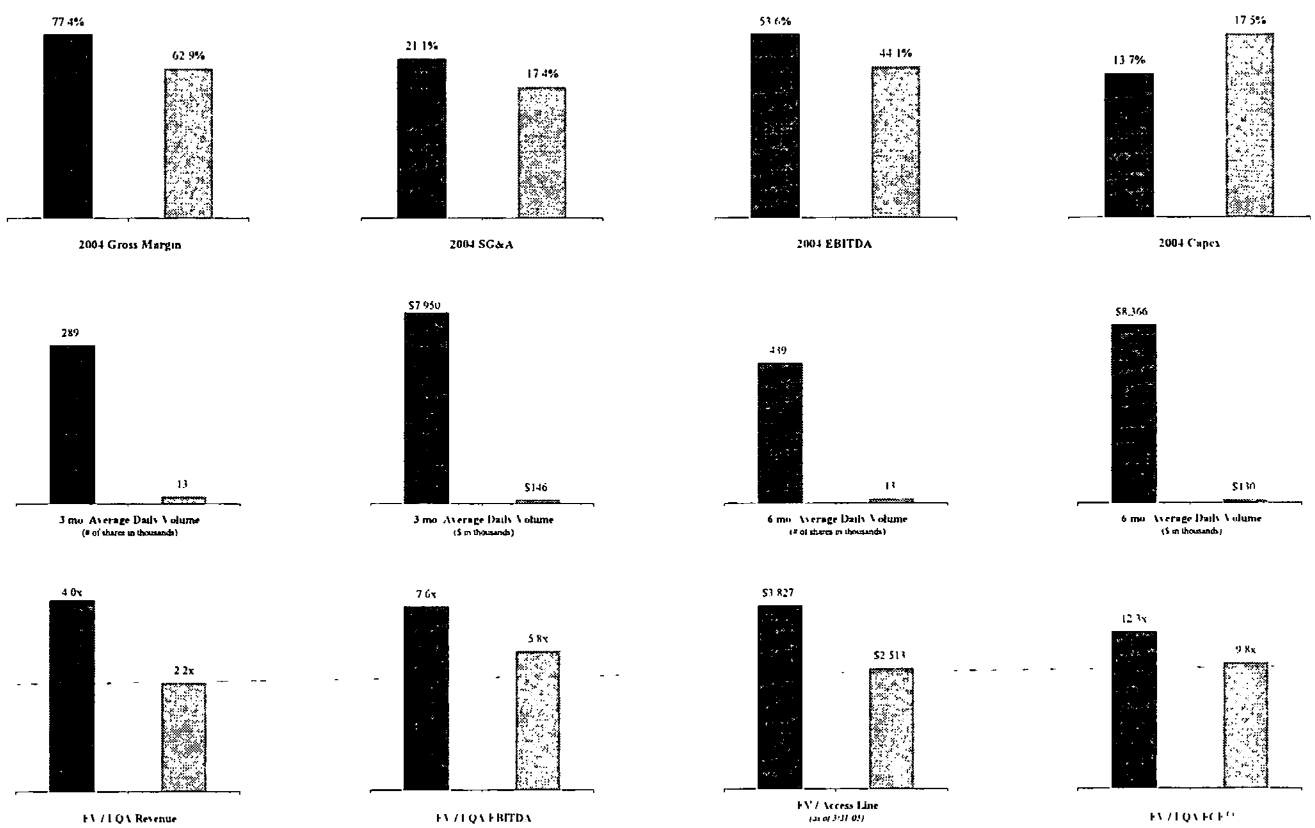
Comparable Company Descriptions

Large Cap vs. Small - Mid Cap RLECs

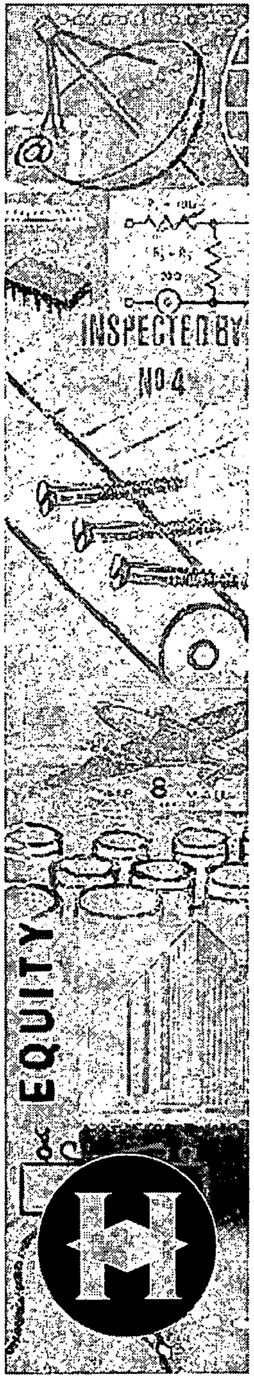
LARGE CAP VS. SMALL – MID CAP RLECS: STATISTICAL COMPARISON

Statistical Comparison

■ Large Cap RLECs (1)   ▨ Small-Mid Cap RLECs (2)



(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

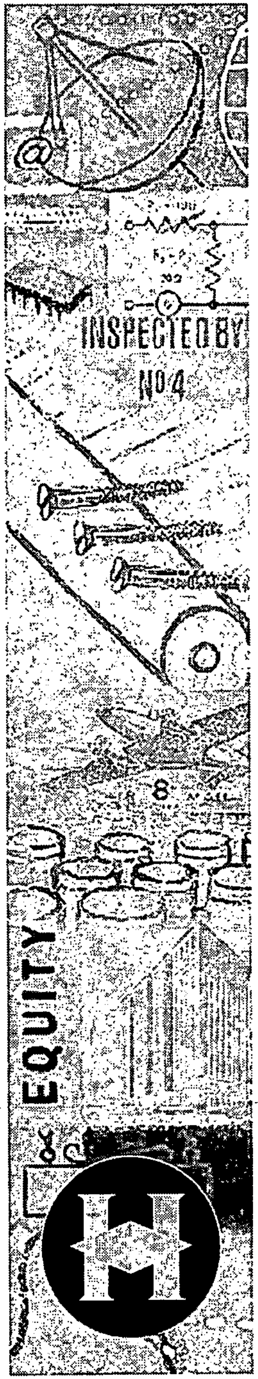
Capital Structure

($ 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 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)

Company	Share Price as of 7/1/2005	Total MV Equity (1)	MV Debt	Cash	Market EV	Enterprise Value to 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	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 subscribers of 8,801,255
(6) Assumes EV of $1,041 (implied EV/sub for U.S. Cellular) per wireless subscriber using a total number of wireless subscribers of 5,127,07,000 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 103,279 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 52,555 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 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	1 765	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	202	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 RLEC Universe

LARGE CAP AND SMALL TO MID CAP RLECs: VALUATION STATISTICS

RLEC Comparable Companies – Valuation Statistics

($ in millions, except per share amounts)

	Share					Enterprise Value to									Trading Volume			
	Price as of	Total MV			Market	Revenue			EBITDA			Access Lines	FCF (1)		Share Price Volume (in 000's)		Volume (in 000's)	
Company	7/1/2005	Equity (2)	MV Debt	Cash	EV	2004	2005E (3)	2006E (3)	2004	2005E (3)	2006E (3)	LQA	2004	LQA	3 Months	6 Months	3 Months	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 RLEC Universe

Large Cap and Small to Mid Cap RLECs: Operating Metrics

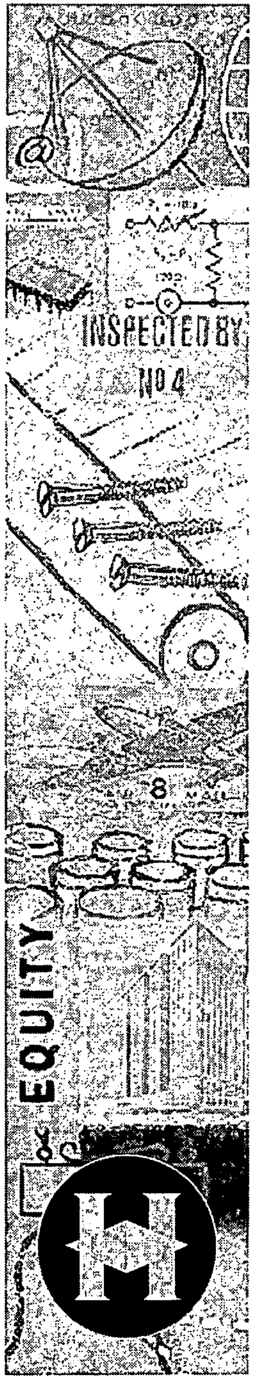
RLEC Comparable Companies – Operating Metrics

($ 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

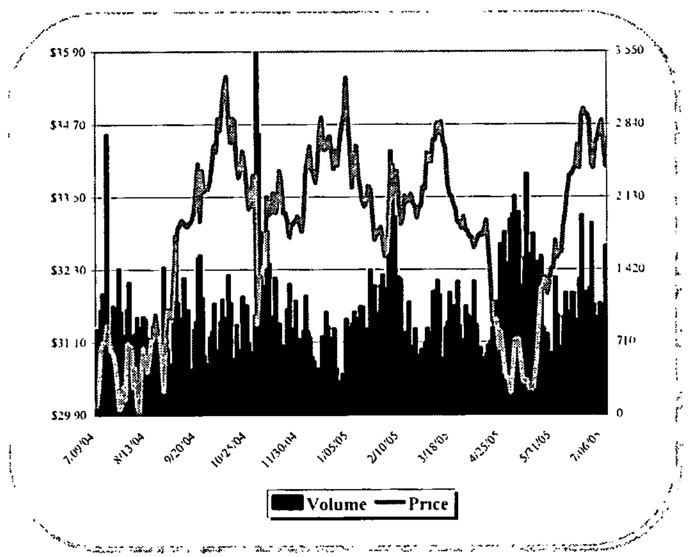
- Large Cap vs. Small - Mid Cap RLECs
- Case Study: Verizon Hawaii
- Public RLEC Universe
- Comparable Company Descriptions

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

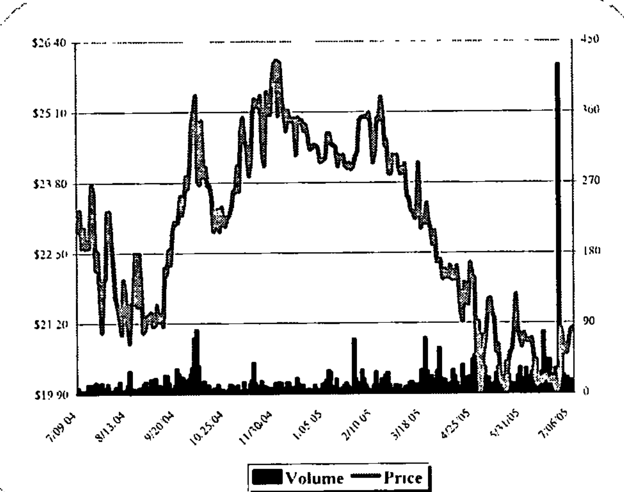


Comparable Company Descriptions

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

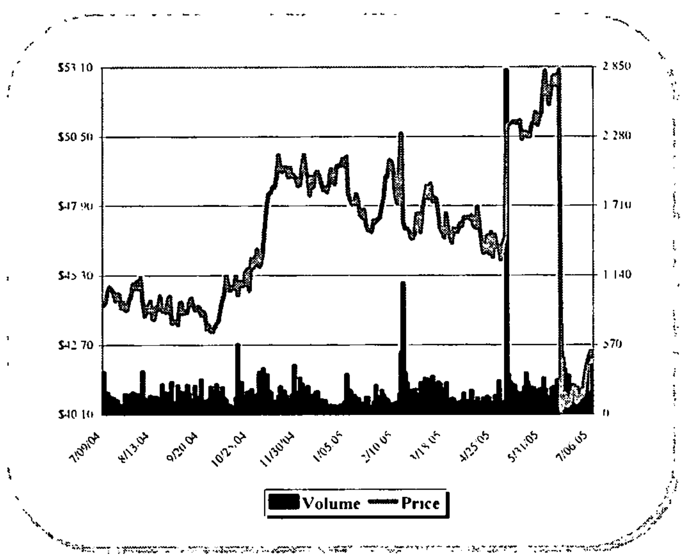


Comparable Company Descriptions

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

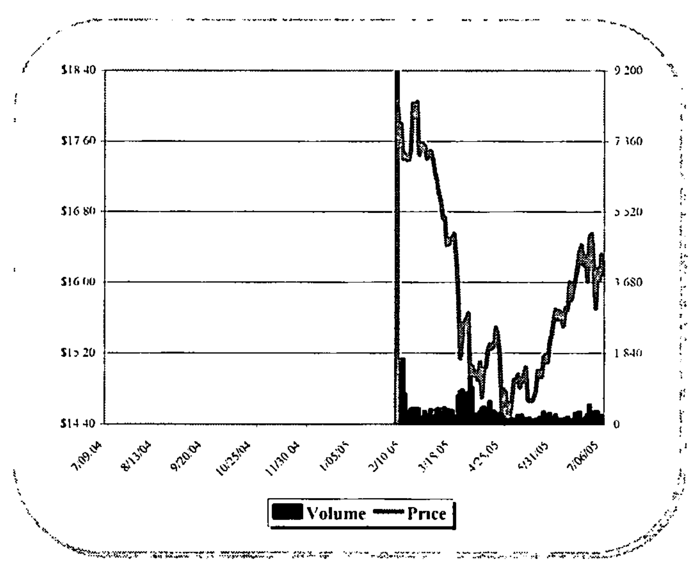


Comparable Company Descriptions

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

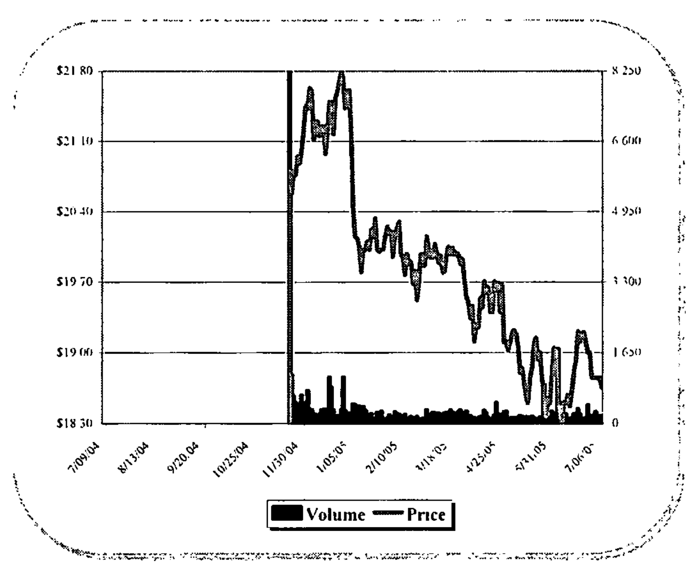


Comparable Company Descriptions

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