FRONTIER COMMUNICATIONS CORP
Form 10-K
February 25, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _________ to ___________

Commission file number 001-11001

FRONTIER COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	06-0619596 (I.R.S. Employer Identification No.)
401 Merritt 7 Norwalk, Connecticut (Address of principal executive offices)	06851 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.25 per share	The NASDAQ Stock Market LLC
Series A Participating Preferred Stock Purchase Rights	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes X No __

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer	Accelerated Filer	Non-Accelerated Filer	Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes No X

The aggregate market value of common stock held by non-affiliates of the registrant on June 30, 2015 was $5,743,714,000 based on the closing price of $4.95 per share on such date.

The number of shares outstanding of the registrant's common stock as of February 12, 2016 was 1,168,179,000.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Frontier’s 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

Frontier Communications Corporation (Frontier) is the fourth largest Incumbent Local Exchange Carrier (ILEC) in the United States, with approximately 3.4 million customers, 2.5 million broadband subscribers and 19,200 employees, operating in 28 states.

We strive to be the leader in providing communications services to residential and business customers in our markets. We are committed to delivering innovative and reliable products and solutions with an emphasis on convenience, service and customer satisfaction. We offer a variety of voice, data, and video services and products on a standalone basis and as bundled or packaged solutions. We believe that our local engagement structure, 100% U.S. based employees in our workforce and innovative product positioning will continue to differentiate us from our competitors in the markets in which we compete.

We conduct business with both residential and business customers, and we provide the "last mile" of communications services to customers in our markets. During 2015, our customer revenue was $4,899 million, including residential revenue of $2,432 million and business revenue of $2,467 million.

In 2015, we continued to improve our customer metrics and revenue trends while strengthening our financial profile:

The Connecticut Acquisition

On October 24, 2014, Frontier acquired the wireline properties of AT&T Inc. (AT&T) in Connecticut (the Connecticut Acquisition) for a purchase price of $2.02 billion in cash. Following the Connecticut Acquisition, Frontier now owns and operates the wireline, broadband, voice and video business and statewide fiber network that provides services to residential, commercial and wholesale customers in Connecticut. We also acquired AT&T's U-verse® video (Frontier TV®) and DISH Network Corporation (DISH®) satellite TV customers in Connecticut. Historical financial data presented for Frontier is not indicative of the future financial position or operating results for Frontier, and includes the results of the Connecticut operations from the date of acquisition.

The Verizon Transaction

On February 5, 2015, Frontier entered into an agreement with Verizon Communications Inc. (Verizon) to acquire Verizon's wireline operations that provide service to residential, commercial and wholesale customers in California, Florida and Texas for a purchase price of $10.54 billion in cash and assumed debt (the Verizon Transaction). As of December 31, 2015, these Verizon properties included 3.3 million voice connections, 2.1 million broadband connections, and 1.2 million FiOS® video connections. The transaction is currently expected to close on April 1, 2016 subject to the completion of operational matters and the satisfaction or waiver of customary closing conditions. During 2015, we completed the financing to fund the Verizon Transaction. In June we issued common and preferred stock for $2,750 million through a registered equity offering. In August we entered into a $1,500 million senior secured term loan facility which will be drawn at closing. In September we completed a $6,600 million private debt offering. The net proceeds of these financing transactions will be sufficient to finance the Verizon Transaction and pay related fees and expenses. We have received all federal and state regulatory approvals required to close the Verizon Transaction.

Broadband Net Additions

During 2015 we added approximately 102,000 net broadband subscribers (an increase of approximately 4%), bringing our total number of broadband subscribers to 2,462,100 as of December 31, 2015. Excluding 384,800 broadband subscribers attributable to the Connecticut Acquisition in 2014, we have added approximately 322,900 net broadband subscribers since 2012 when we adopted the strategy of increasing broadband penetration. The net increase in broadband subscribers contributed to our improved revenue performance for data and Internet services.

Investment In Our Network

We continued to invest in network speed and capacity to support our goal of attracting additional customers and increasing broadband penetration. As of December 31, 2015, we are able to offer broadband to over 7.9 million households.

Since 2012, Frontier received a total of $133 million from the Federal Communications Commission's (FCC) Connect America Fund (CAF) Phase I program to support broadband deployment in unserved and underserved high-cost areas. We completed our obligations under this program in 2015.

In June 2015, Frontier accepted the CAF Phase II offer, which provides for $280 million in annual support from 2015 through 2020 to deliver 10Mbps downstream/1Mbps upstream broadband service to approximately 654,000 households across the 28 states in which we operate. The $280 million in CAF Phase II support is a successor to the $156 million in annual USF frozen high-cost support that Frontier had been receiving pursuant to the FCC's November 18, 2011 Universal Service Fund (USF)/Intercarrier Compensation (ICC) Report & Order (the 2011 Order).

Revenue Trajectory

During 2015, we generated total revenue of $5,576 million, including residential and business customer revenue of $4,899 million and regulatory revenue of $677 million.

Total residential revenue for 2015 increased 16% as compared to 2014. Total residential revenue for 2015 and 2014 included $531 million and $116 million of revenues attributable to the Connecticut Acquisition for 2015 and the period from October 24, 2014 through December 31, 2014, respectively. Excluding the Connecticut operations, total residential revenue declined 4% as compared with 2014. Our average monthly residential revenue per customer during 2015 increased by 5% as compared to the prior year.

Total business revenue for 2015 increased 14% as compared to 2014. Total business revenue for 2015 and 2014 included $475 million and $91 million of revenues attributable to the Connecticut Acquisition for 2015 and the period from October 24, 2014 through December 31, 2014, respectively. Excluding the Connecticut operations, total business revenue declined 4% as compared with 2014. Our average monthly business revenue per customer during 2015 increased by 4% as compared to the prior year.

Frontier Operating Strategies

During 2015, we continued to make progress on certain elements of our business, including:

Grow Broadband and Invest in our Network. A main component of our strategy is to enable and strengthen the broadband capabilities of our network. We focus on broadband as the core growth component of our service offering, either bundled with our voice and/or video services, or on a standalone basis. During 2015, we added approximately 102,000 net broadband subscribers, bringing our total number of broadband subscribers to 2,462,100 as of December 31, 2015. The increase in broadband subscribers contributed to our improved revenue performance for data and Internet services.

We continue to expand and improve broadband availability and speed in our markets and view this investment as an opportunity to attract and retain a greater number of customers and increase average revenue per residential and business customer. Total capital expenditures in 2015 were $863 million, including expenditures related to integration activities, as compared to $688 million in 2014. These capital expenditures include enhancing the existing outside plant by expanding fiber-based infrastructure throughout our network, upgrading network hardware, expanding transport capacity of our middle-mile and data backbone, and growing our video capabilities.

In 2015, Frontier continued to expand the capacity and capability of our network. We continue to deploy next generation Broadband Remote Access Servers throughout our network to facilitate the expansion of broadband and video service offerings and increase broadband speeds. We also continued to expand and upgrade our premium Ethernet service offerings across our network. We upgraded our VoIP platform with next generation Call Control and VoIP Application Feature servers, which we intend to leverage across the entire footprint, and which also provides the capability to reach customers outside our existing markets.

As of December 31, 2015, approximately 93% of the households throughout our territories had access to our wireline broadband products. See “Network Architecture and Technology” for a table that summarizes our broadband availability to the residential households throughout Frontier’s territories. In addition, we have committed to federal and state regulatory authorities to increase broadband speeds across our network and to expand broadband availability in unserved, underserved and other areas. See “Regulatory Environment - Regulation of our business.”

Improve Customer Experience and Retention. We provide multiple service and product options in our residential and business offerings to the customer base in each of our markets. We believe this strategy results in a better customer experience and allows us to maximize retention of existing customers and to attract new customers. At December 31, 2015, 64% of our residential broadband customers subscribed to at least one other service offering.

We are focused on enhancing the customer experience to differentiate us from our competition. Our commitment to customer service is demonstrated by our “customer first” company philosophy, how we empower our technicians and call center employees to serve customers, our 100% U.S.-based employees in the workforce, our expanded customer service hours, shorter scheduling windows for in-home appointments, call reminders and follow-up calls for service appointments. Additionally, we seek to achieve our customer retention goals by offering attractive packages of value-added services. Our bundled services include broadband, voice, and video offerings, including simplified messaging services, higher speed products and digital security products.

We employ a balanced approach towards investment in customer acquisition and retention. We continue to invest to provide an optimal customer experience to enhance our customer service operations, efficiently provide service to new customers, and timely resolve service issues for existing customers. Our strategy also includes engaging our markets at the local level to ensure that we have a customer-driven sales and service focus that differentiates us from our competitors. Our markets are operated by local managers responsible for the customer experience and for the financial results in these markets. Our involvement in these communities helps to create a competitive advantage through long-term customer loyalty. We are committed to providing best-in-class service throughout our markets and, by doing so, we expect to maximize retention of current customers and gain new customers.

Improve Productivity and Operational Efficiency. We continue to engage in productivity initiatives in order to maintain and improve our profit margins. Our focus is on simplifying our processes, eliminating redundancies and further reducing our cost structure while improving our customer service capabilities.

Throughout 2015, we successfully delivered on our operating plans to reduce costs in our Connecticut operations that we acquired in October 2014. Based on current estimates and assumptions, we expect to achieve synergies with respect to the operations acquired in the Verizon Transaction, principally by: (1) leveraging the scalability of our existing corporate administrative functions, and information technology and network systems; (2) internally sourcing certain functions formerly provided by third-party service providers; and (3) operating the business more efficiently.

These future synergies are based on our current estimates and assumptions that, although we consider them reasonable, are inherently uncertain. Significant business, economic, competitive and regulatory uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control, may affect these expected synergies.

Services

We offer a broad portfolio of high-quality communications services for residential and business customers in each of our markets. Our product portfolio includes Internet access, broadband-enabled services, video services and voice services. We offer these services both on a standalone basis and as bundled packages that are purposely designed to simplify customer purchasing decisions and to provide the customer with premium value. Periodically, we offer selective incentives and promotions to influence customers to purchase or retain certain services. We are staffed locally with skilled technicians and supervisors, which enables us to provide an array of communications services to meet our customers' needs.

We generate revenue primarily by providing: (1) data and Internet services; (2) local and long distance wireline voice services to residential and business customers in our service areas; (3) network access to interexchange carriers for origination and termination of long distance voice and data traffic; (4) sales of our own and third party video services; and (5) sales of customer premise equipment.

Data and Internet services. We offer a wide range of broadband services to our residential, commercial and carrier customers. Residential services include fiber-to-the-home and fiber-to-the-node broadband products, as well as traditional copper-based broadband products. Commercial services include Ethernet, Dedicated Internet, Multiprotocol Label Switching (MPLS), Time Division Multiplexing (TDM) data transport services and optical transport services. These services are all supported by a 24/7 help desk and an advanced network operations center. Such services are generally offered on a contract basis and the service is billed on a fixed monthly recurring charge basis. Data and Internet services are typically billed in advance.

We also offer our Frontier Secure suite of products aimed at managing the digital experience for our customers and designed to provide value and simplicity to meet customers' ever-changing needs. Frontier Secure offers products and services to protect key aspects of digital life, including computer security, cloud backup and sharing, identity protection, equipment insurance and 24/7 premium U.S.-based technical support. These products and services are sold nationwide directly to consumers and small businesses, and wholesale through strategic partnerships under either a private brand or the Frontier Secure brand. We also provide premium technical support and customer service to other companies on a contract basis.

Long-term contracts are generally billed in advance on an annual or semi-annual basis. End-user subscribers are generally billed in advance on a monthly recurring basis and businesses, colleges and universities are billed on a monthly recurring basis for a fixed number of users. Hourly, daily and weekly casual end-users are billed by credit card at the time of use. We offer wireless broadband services (using unlicensed WiFi spectrum) in select markets utilizing networks that we own or operate.

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Voice services. We provide basic wireline services to residential and business customers in our service areas. We also provide data-based VoIP services and enhanced services to our customers by offering a number of unified messaging services, including call forwarding, conference calling, caller identification, voicemail and call waiting, all of which are capable of being managed via an Internet portal. All of these local services are billed monthly in advance. Long distance network service to and from points outside our operating properties are provided by interconnection with the facilities of interexchange carriers. Our long distance services are billed in advanced for unlimited use service and on a per minute-of-use basis for a fixed number of minutes basis.

We also offer packages of communications services. These packages permit customers to bundle their products and services, including voice service with their choice of video and Internet services, and other product offerings.

Switched access services. Our switched access services allow other carriers to use our facilities to originate and terminate their local and long distance voice traffic. These services are generally offered on a month-to-month basis and the service is billed primarily on a minutes-of-use basis. Switched access charges have been based on access rates filed with the FCC for interstate services and with the respective state regulatory agency for intrastate services. In the 2011 Order, the FCC required that, beginning in July 2012, we transition over time to terminating switched access rates to near zero by July 2017. The 2011 Order enables companies to recover part of the decline through increases in subscriber line fees charged to some residential and business wireline voice customers. While the FCC has asserted jurisdiction over these terminating access rates, during the transition the charges will continue to be based on tariffs filed with both the FCC and state regulatory agencies. Monthly recurring access service fees are billed in advance. We also receive subsidies from state and federal authorities based on the higher cost of providing wireline service to certain rural areas that are included in our access services revenue.

Video services. We have approximately 242,000 video customers, whose service is provided directly by Frontier through the Frontier TV and FiOS video brands, and 311,700 DISH satellite video customers as of December 31, 2015. We offer video services under the Frontier TV brand to our customers in Connecticut. We offer video services under the FiOS brand on a limited basis in the states of Indiana, Oregon and Washington pursuant to franchises, permits and similar authorizations issued by local franchising authorities. Upon completion of the Verizon Transaction, we will add an estimated 1.2 million video customers. We continue to offer satellite TV video service to our customers under an agency relationship with DISH in all of our markets. We receive from DISH, and recognize as revenue, activation fees, other residual fees and nominal management, billing and collection fees.

Customer Premise Equipment (CPE). We offer our small, medium and enterprise business customers a wide range of third-party communications equipment tailored to their specific business needs by partnering with Avaya, Cisco, Mitel and other equipment manufacturers. Equipment sales are most often made in conjunction with voice, data and Internet services, however, equipment may also be sold on a standalone basis. We recognize revenue for these equipment sales in accordance with the contracts, and separately from any related maintenance agreements, generally at time of installation and acceptance by our customers.

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Our Customers

Frontier's Footprint

Our business and residential customers can be generally characterized as follows:

Business. Is comprised of commercial customers and carrier customers. Generally we refer to commercial customers as SME (small business, medium business and larger enterprise customers). Some of these services are regulated and tariffed, and many newer services such as Ethernet are typically unregulated.

- Small Business: The majority of these customers are single-location and the principal services they purchase are data connections, Customer Premise Equipment (CPE) and voice services and generally have purchase patterns similar to residential customers.

- Medium Business: Medium business customers can be single-location entities or multi-location and also include government entities, educational institutions and non-profits. Depending on their data needs, they buy broadband connections, CPE, Ethernet services or traditional circuit-based services (TDM services). They also purchase multi-line voice services as well.

- Larger Enterprise: Enterprise customers are typically those that are part of the Fortune 1000 and are almost always multi-location. Enterprise customers request a broad range of services from Frontier, including Ethernet service, traditional circuit-based services, CPE and voice services. Enterprises typically have complex needs and the sales process and services offered tend to be customized toward those needs. Large government entities, educational institutions and non-profits are also included in this category.

- Carrier: Carrier customers are often referred to as wholesale customers and include national operators such as AT&T and Verizon, other Local Exchange Companies that might need to access locations within Frontier's footprint, Competitive Local Exchange Companies (CLECs), wireless carriers, as well as a growing and broad range of other operators. Carrier customers buy both voice and data services, and typically are heavy consumers of non-switched services.

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Residential. Consists generally of providing products and services to residential customers including broadband service, video service, voice service and Internet security services. Some homes we serve receive these services over fiber-to-the-home networks; other homes receive these services over copper-based connections into the home; and others receive their services through a combination of fiber and copper.

Network Architecture and Technology

Our local exchange carrier networks consist of host central office and remote sites, primarily equipped with digital and Internet Protocol switches. The outside plant consists of transport and distribution delivery networks connecting our host central office with remote central offices and ultimately with our customers. We own fiber optic and copper cable, which have been deployed in our networks and are the primary transport technologies between our host and remote central offices and interconnection points with other incumbent carriers.

Our fiber optic and copper transport system is capable of supporting increasing customer demand for high bandwidth transport services. We routinely enhance our network and are upgrading with the latest Internet Protocol Transport and routing equipment, Reconfigurable Optical Add/Drop Multiplexers (ROADM) transport systems, Very High Bit-Rate Digital Subscriber Line (VDSL) broadband equipment, and VoIP switches. These systems will support advanced services such as Ethernet, Dedicated Internet, Multiprotocol Label Switching (MPLS) transport, and VoIP. The network is designed with redundancy and auto-failover capability on our major circuits.

As of December 31, 2015 and 2014, we had expanded our broadband availability to the households throughout Frontier's territories as follows:

(Downstream speeds in excess of)	2015	2014
6 Mbps	84%	83%
12 Mbps	75%	74%
20 Mbps	57%	55%

Rapid and significant changes in technology are expected to continue to occur in the communications industry. Our success will depend, in part, on our ability to anticipate and adapt to technological changes. We believe that our existing network architecture strategy will enable us to respond to these ongoing technological changes efficiently. In addition, we anticipate reducing costs through the sharing of best practices across operations, centralization or standardization of functions and processes, and deployment of technologies and systems that provide for greater efficiencies and profitability. In certain markets, we have begun to offer residential broadband services with 1 gigabit download speed capabilities.

Competition

We face intense competition for each one of our business and residential customers in the areas of price, service offerings, product performance and service reliability. Competition for residential customers comes from cable operators, satellite providers, online video providers, wireless carriers and Internet service providers (ISPs) among others. For broadband internet, competition comes primarily from cable operators, ISPs and wireless carriers. In the markets where we offer fiber-to-the-home or other fiber-based services, our speeds are generally comparable or superior to our competitors. In certain markets, cable operators may offer higher speeds than what we provide. Cable operators often aggressively market their offerings with significant promotional period pricing. Competition also includes wireless carriers, who offer increasingly larger data packages to mobile customers at speeds that are competitive with some of our wireline services.

The voice market is particularly competitive. We face challenges from wireless substitution along with VoIP services. We continue to see the percentage of homes with a landline telephone declining, a trend we expect will continue. We continue to believe that our focus on the customer experience, on local engagement, and on value-based pricing will allow us to remain competitive.

Video services have traditionally been offered by cable operators and satellite providers who continue to be very competitive. Some consumers are opting for internet delivered video services (Over the Top, or OTT) through providers such as Netflix, Hulu, Amazon and YouTube rather than traditional, multi-channel video. We currently offer Frontier TV and FiOS video services delivered through our network to approximately 15% of the households we serve and, through investments in our network, we continue to expand these video capabilities. The investments in our network are also a conduit for delivering OTT video content to consumers who might not opt for traditional video services. Following the Verizon Transaction, we will be able to deliver Frontier TV, FiOS video and OTT video services to a much greater percentage of our network.

Many residential customers may prefer to bundle their voice, data and Internet and video services with a single provider. In areas where we do not directly offer a network based video service, we offer satellite TV video service through DISH. This can impact acquisition of new customers and retention of existing customers.

We compete against other telecommunications providers, cable operators, CLECs and other enterprises, some of which are substantially larger than us for business, wholesale and governmental customers. We compete for these broadband customers very similarly to how we compete for residential customers. However, these customers often require more sophisticated and more data centered solutions (e.g., IP PBX, E911 networks, Ethernet, SIP trunking). Some customers also require more extensive initial build out, which can be accompanied by CPE to fully enable their networks. We believe we have an advantage over our competitors who do not offer CPE installation or maintenance services. We offer wireless backhaul services to carrier customers as well, which require us to build out to wireless providers' cell towers and connect to our network.

For additional discussion of our competitive strategies, see "Frontier Operating Strategies" above.

Regulatory Environment

Some of our operations are subject to regulation by the FCC and various state regulatory agencies, often called public service or utility commissions. We expect federal and state lawmakers, the FCC and the state regulatory agencies to continue to revise the statutes and regulations governing communications services.

Regulation of our business

We are subject to federal, state and local regulation and we have various regulatory authorizations for our regulated service offerings. At the federal level, the FCC generally exercises jurisdiction over information services, interstate or international telecommunications services and over facilities to the extent they are used to provide, originate or terminate interstate or international services. State regulatory commissions generally exercise jurisdiction over intrastate telecommunications services and the facilities used to provide, originate or terminate those services. Most of our local exchange companies operate as incumbent carriers in the states in which they operate and are certified in those states to provide local telecommunications services. In addition, local governments often regulate the public rights-of-way necessary to install and operate networks, and may require service providers to obtain licenses or franchises regulating their use of public rights-of-way. Municipalities and other local government agencies also may regulate other limited aspects of our business, by requiring us to obtain cable franchises and construction permits and to abide by certain building codes.

Some states' regulatory agencies have substantial oversight over incumbent telephone companies, and their interconnection with competitive providers and provision of non-discriminatory network access to certain network elements to them. Under the Telecommunications Act of 1996, state regulatory commissions have jurisdiction to arbitrate and review interconnection disputes and agreements between incumbent telephone companies and competitive local exchange carriers, in accordance with rules set by the FCC. The FCC and state regulatory commissions also impose fees on providers of telecommunications services within their respective states to support state universal service programs. Many of the states in which we operate require prior approvals or notifications for certain acquisitions and transfers of assets, customers, or ownership of regulated entities.

The FCC and some state regulatory commissions, in connection with granting their approvals of our acquisition of properties of Verizon Communications Inc. in 2010 (the 2010 Acquisition), specified capital expenditure and operating requirements for the territories acquired in the 2010 Acquisition for specified periods of time post-closing. As of December 31, 2013, 2014 and 2015, we met our FCC requirement for these years. The remaining state conditions associated with the 2010 Acquisition were fulfilled in 2015.

In addition, in some states we are subject to operating restrictions and minimum service quality standards (the failure to meet such restrictions may result in penalties, including, in one state, cash management limitations on some of our subsidiaries in that state). We also are required to report certain financial information. At the federal level and in a number of the states in which we operate, we are subject to price cap or incentive regulation plans under which prices for regulated services are capped. Some of these plans have limited terms and, as they expire, we may need to renegotiate with various states. These negotiations could impact rates, service quality and/or infrastructure requirements, which could also impact our earnings and capital expenditures. In other states in which we operate, we are subject to rate of return regulation that limits levels of earnings and returns on investments. Approximately 16% of our total access lines at December 31, 2015 are in state jurisdictions under the rate of return regulatory model. We will continue to advocate for no or reduced regulation with various regulatory agencies in those states. In some of our states, we have already been successful in reducing or eliminating price regulation on end-user services.

Frontier, along with all telecommunications providers, is subject to FCC rules governing privacy of specified customer information. Among other things, these rules obligate carriers to implement procedures to: protect specified customer information from inappropriate disclosure; obtain customer permission to use specified information in marketing; authenticate customers before disclosing account information; and annually certify compliance with the FCC’s rules. Although most of these regulations are generally consistent with our business plans, they may restrict our flexibility in operating our business.

Some regulations are, or could in the future be, the subject of judicial proceedings, legislative hearings and administrative proposals or challenges that could change the manner in which the entire industry operates. Neither the outcome of any of these developments, nor their potential impact on us, can be predicted at this time. Regulation can change rapidly in the communications industry, and such changes may have an adverse effect on us.

Recent regulatory developments

Federal High-Cost Subsidies: The FCC has adopted rules changing the eligibility requirements for federal subsidies offered to wireline carriers providing service to high-cost, low-density markets, as well as the amounts of such subsidies, as follows.

Connect America Fund (CAF) Phase I: On November 18, 2011, the FCC adopted the 2011 Order, which changed how federal subsidies are calculated and disbursed, with the changes being phased-in beginning in July 2012. These changes transitioned the Federal USF, which supports voice services in high-cost areas, to the CAF, which supports broadband deployment in high-cost areas. The CAF support was phased in over a period of years. In 2012 through 2014, we received $133 million in CAF Phase I funds to make available broadband to approximately 194,600 previously unserved or underserved households. We completed deployment of broadband service to the CAF Phase I households in 2015 as required by the FCC rules.

CAF Phase II: On April 29, 2015, the FCC released offers of support to price cap carriers under the CAF Phase II program, which is intended to provide long-term support for carriers establishing and providing broadband service in high-cost unserved or underserved areas. In June 2015, Frontier accepted the CAF Phase II offer, which provides for $280 million in annual support from 2015 through 2020 to make available 10 Mbps downstream/1 Mbps upstream broadband service to approximately 654,000 households across the 28 states where we operate. CAF Phase II support is a successor to and augments the approximately $156 million in annual USF frozen high-cost support that Frontier had been receiving on a transitional basis pursuant to the 2011 FCC Order. When combined with the frozen high-cost phasedown payment discussed below, CAF Phase II funding increased support by more than $159 million in 2015. In addition to the CAF Phase II annual support, Frontier will also receive frozen support phasedown payments for 2015 through 2018. The FCC adopted phasedown payments to help compensate carriers in those limited circumstances in which CAF II funding results in a decrease in high-cost support when compared to prior frozen high-cost support payments. Frontier's phasedown support was $35 million in 2015, and is expected to be approximately $25 million in 2016, $16 million in 2017, and $6 million in 2018.

In 2016, the FCC is expected to adopt a competitive bidding process to continue to distribute CAF Phase II funding in those high cost areas where price cap carriers declined the FCC's offer of support. Whether Frontier will participate in any competitive bid process is unknown at this time.

Intercarrier Compensation: In the 2011 Order, the FCC also reformed Intercarrier Compensation, which is the payment framework that governs how carriers compensate each other for the exchange of interstate traffic, and it began a multi-year transition to the new rates in July 2012, with the second step implemented in July 2013 and the third step in July 2014. The transition moves the rate for terminating traffic to near zero by 2017. Frontier expects to be able to recover a significant portion of those lost revenues through end user rates and other replacement mechanisms. The 2011 Order was challenged in court and the FCC was petitioned to reconsider various aspects of it. There are no longer any active Intercarrier Compensation-related appeals of the 2011 Order, and we believe that the 2011 Order provides a stable regulatory framework to facilitate our ongoing focus on the deployment of broadband into our rural markets.

Future reductions to high-cost subsidy or switched access revenues may directly affect our profitability and cash flows. While switched access and high-cost subsidy revenues declined from 2012 to 2014, switched access and high-cost subsidy revenues increased in 2015 due to the FCC commencing CAF Phase II. Based on previous trends, we expect switched access and high-cost subsidy revenues in 2016 to decline from 2015 levels.

Special Access: The FCC also has an ongoing proceeding considering whether to make changes to its regulatory regime governing special access services, including whether to mandate lower rates, change standards for deregulation and pricing flexibility, or to require changes to other terms and conditions. In 2012, the FCC launched a proceeding to measure the level of competition in the provision of business Internet services. The FCC collected an industrywide dataset to conduct this analysis in early 2015, and the FCC released that dataset in the fall of 2015. Interested parties have until February 2016 to provide comments. The 2012 Notice of Proposed Rulemaking launching this one-time market analysis explains the FCC will fully analyze the data before undertaking any changes and contains limited guidance regarding what possible changes the FCC could adopt. When and how any changes under consideration will be addressed is unknown, and, accordingly, we are unable to predict the impact of future changes on our results of operations.

On October 16, 2015, the FCC announced that the Wireline Competition Bureau is conducting an inquiry into whether certain terms and conditions contained in specifically identified special access tariff pricing plans offered by four carriers, including Frontier, are just and reasonable. The focus of the inquiry is term and volume discounts under pricing plans for business data TDM services, specifically DS1s and DS3s, and exclude pricing for IP-based services. At the conclusion of this inquiry, FCC staff will make recommendations to the FCC Commissioners regarding the reasonableness of these terms and conditions. The Commissioners will then determine whether the tariffs under review need to be revised prospectively. The final pleadings for parties in the proceeding were due February 22, 2016. When and how the FCC will address the issues subject to this inquiry is unknown, but we do not anticipate that any proposed revisions to the specific tariffs under review would have a material impact on our results or operations.

Intrastate Services: Some state regulatory commissions regulate some of the rates ILECs charge for intrastate services, including rates for intrastate access services paid by providers of intrastate long distance services. Some states also have their own open proceedings to address reform to intrastate access charges and other intercarrier compensation and state universal service funds. Although the FCC has pre-empted state jurisdiction on most access charges, some states could consider moving forward with their proceedings. We cannot predict when or how these matters will be decided or the effect on our subsidy or switched access revenues.

Voice Over Internet Protocol (VoIP): Regulators at both the federal and state levels continue to address whether VoIP services are subject to the same or different regulatory and intercarrier compensation regimes as traditional voice telephony. The FCC has concluded that VoIP and facilities-based broadband Internet access providers must comply with the Communications Assistance for Law Enforcement Act, a decision that the United States Court of Appeals for the District of Columbia Circuit has upheld. The FCC has also required VoIP providers to provide enhanced 911 emergency calling capabilities. In the 2011 Order, the FCC determined that VoIP-originated traffic terminating on the Public Switched Telephone Network is subject to interstate access rates. Effective December 29, 2011, the 2011 Order required providers to pay interstate access rates for the termination of VoIP toll traffic. On April 25, 2012, the FCC, in an Order on Reconsideration, specified that changes to originating access rates for VoIP traffic would not be implemented until July 2014. The 2011 Order was challenged in court, and the FCC was petitioned to reconsider various aspects. While most challenges have been resolved, there remains an AT&T challenge at the U.S. Court of Appeals for the D.C. Circuit regarding the ability of competitive carriers to assess VoIP access charges. The net impact of the 2011 Order during the period from July 2012 through December 2014 was not significant for Frontier. The net effect of 2011 Order changes to originating access after July 1, 2014 is dependent upon the percentage of VoIP traffic.

Additionally, the 2011 Order requires VoIP providers to pay interstate terminating interconnection charges and requires all carriers terminating traffic to provide appropriate call information, thus prohibiting so-called “phantom traffic.” However, the FCC declined to address other VoIP-related issues, and the FCC has stated its intent to address open questions regarding the treatment of VoIP services in its ongoing “IP-Enabled Services Proceeding.” Internet telephony may have an advantage in the marketplace over our traditional services if this service remains less regulated.

Current and potential Internet regulatory obligations

On February 26, 2015, the FCC issued an Order adopting rules to “Preserve a Free and Open Internet” (i.e., net neutrality). In the Order, the FCC asserted jurisdiction over broadband service, utilizing its jurisdictional authority under Title II and Section 706 of the Communications Act of 1996, and classified broadband service as a “telecommunications service.” The Order changed the FCC’s previous classification of wireline broadband Internet access service (whether provided over cable or telecommunications facilities), mobile wireless based broadband Internet access service and other forms of broadband Internet access services as “information services” not subject to mandatory common carrier regulation. In the Order, the FCC adopted specific obligations for fixed and mobile providers of broadband Internet access services and specifically prohibited the following: blocking access to legal content, applications, services, or non-harmful devices; impairing or degrading lawful Internet traffic on the basis of content, applications, services, or non-harmful devices; favoring some lawful Internet traffic over other lawful traffic in exchange for consideration; and otherwise unreasonably harming consumers or edge providers. These obligations are largely consistent with the practices Frontier already has in place today. The FCC also announced additional transparency requirements intended to provide consumers more information about a provider’s network management practices, performance, speed, price, and data caps. The FCC’s Consumer Advisory Committee also released a proposed “safe harbor” disclosure framework for the enhanced transparency requirements. On March 23, 2015, several parties appealed various aspects of the FCC’s Order to the U.S. Court of Appeals for the D.C. Circuit. The Court of Appeals heard oral argument on December 4, 2015. A decision from the Court of Appeals is not expected until sometime in 2016. Frontier continues to comply with the existing regulatory requirements, and it is unclear whether the pending appeal will have any impact on the regulatory structure.

Video programming

Federal, state and local governments extensively regulate the video services industry. Our FiOS and Frontier TV video services are subject to, among other things: subscriber privacy regulations; requirements that we carry a local broadcast station or obtain consent to carry a local or distant broadcast station; rules for franchise renewals and transfers; the manner in which program packages are marketed to subscribers; and program access requirements.

We provide video programming in some of our markets in Oregon, Washington, Indiana and Connecticut pursuant to franchises, permits and similar authorizations issued by state and local franchising authorities. Most franchises are subject to termination proceedings in the event of a material breach. In addition, most franchises require payment of a franchise fee as a requirement to the granting of authority.

Many franchises establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, franchises are terminable if the franchisee fails to comply with material provisions set forth in the franchise agreement governing system operations. We believe that we are in compliance and meeting all material standards and requirements. Franchises are generally granted for fixed terms of at least ten years and must be periodically renewed. Local franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate.

Environmental regulation

The local exchange carrier subsidiaries we operate are subject to federal, state and local laws and regulations governing the use, storage, disposal of, and exposure to hazardous materials, the release of pollutants into the environment and the remediation of contamination. As an owner and former owner of property, we are subject to environmental laws that could impose liability for the entire cost of cleanup at contaminated sites, including sites formerly owned by us, regardless of fault or the lawfulness of the activity that resulted in contamination. We believe that our operations are in substantial compliance with applicable environmental laws and regulations.

The Verizon Transaction

The necessary regulatory approvals associated with the Verizon Transaction have been secured from the FCC, the Public Utilities Commission of Texas and the California Public Utilities Commission, subject to certain commitments. We will notify the State of Florida after closing of the Verizon Transaction, with there being no specific regulatory approvals required prior to the closing. As part of the FCC approval process, Frontier committed to deliver broadband to an additional 750,000 households across the entire Frontier footprint, including, among other things, the Verizon Transaction territory, at speeds of 25 Mbps / 2-3 Mbps by the end of 2020. In California, Frontier agreed to service quality conditions and capital expenditures for broadband and other network enhancements.

In addition, Verizon has conditionally accepted $49 million in annual support in California and Texas under the CAF Phase II program to enable broadband connections for approximately 115,000 households. Upon closing of the Verizon Transaction, Frontier will assume the obligations associated with the receipt of the CAF Phase II support in California and Texas and will also receive all of those funds.

Segment Information

We currently operate in only one reportable segment.

Financial Information about Foreign and Domestic Operations and Export Sales

We have no foreign operations.

General

Order backlog is not a significant consideration in our business. We have no material contracts or subcontracts that may be subject to renegotiation of profits or termination at the election of the federal government.

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Intellectual Property

We believe that we have the trademarks, trade names and intellectual property licenses that are necessary for the operation of our business.

Employees

As of December 31, 2015, we had approximately 19,200 employees, as compared to approximately 17,400 employees as of December 31, 2014. Approximately 17,500 of our total employees are represented by unions. The number of employees covered by collective bargaining agreements that expired in 2015, but have been extended and are still effective for 2016, is approximately 1,350. The number of employees covered by collective bargaining agreements that expire in 2016 is approximately 2,200. We consider our relations with our employees to be good.

Available Information

We are subject to the informational requirements of the Securities Exchange Act of 1934 (the Exchange Act). Accordingly, we file periodic reports, proxy statements and other information with the Securities and Exchange Commission (SEC). These reports, proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements and other information regarding Frontier and other issuers that file electronically.

We make available, free of charge on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as practicable after we electronically file these documents with, or furnish them to, the SEC. These documents may be accessed through our website at www.frontier.com under “Investor Relations.” The information posted or linked on our website is not part of this report. We also make our Annual Report available in printed form upon request at no charge.

We also make available on our website, as noted above, or in printed form upon request, free of charge, our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Specific Code of Business Conduct and Ethics

Provisions for Certain Officers, and the charters for the Audit, Compensation, and Nominating and Corporate Governance committees of the Board of Directors. Stockholders may request printed copies of these materials by writing to: 401 Merritt 7, Norwalk, Connecticut 06851 Attention: Corporate Secretary.

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements," related to future, not past, events. Forward-looking statements address our expected future business and financial performance and financial condition, and contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include:

· risks related to the pending acquisition of properties from Verizon, including our ability to complete the acquisition of such operations, our ability to successfully integrate operations, our ability to realize anticipated cost savings, sufficiency of the assets to be acquired from Verizon, our ability to migrate Verizon’s operations from Verizon owned and operated systems and processes to our owned and operated systems and processes successfully, our ability to enter into or obtain, or delays in entering into or obtaining, agreements and consents necessary to operate the acquired business as planned, on terms acceptable to us, and increased expenses incurred due to activities related to the transaction;

· the ability of the lenders to the $1.5 billion credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, to meet their obligations thereunder to fund such facility in connection with the closing of the acquisition of the Verizon properties;

· our ability to meet our debt and debt service obligations;

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

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

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

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

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

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

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

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

- our ability to successfully introduce new product offerings;

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

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

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

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

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

- our ability to successfully renegotiate union contracts;

- changes in pension plan assumptions, interest rates, regulatory rules and/or the value of our pension plan assets, which could require us to make increased contributions to the pension plan in 2016 and beyond;

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

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

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

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

Any of the foregoing events, or other events, could cause financial results to vary from management's forward-looking statements included in this report. You should consider these important factors, as well as the risks set forth under Item 1A. "Risk Factors," in evaluating any statement in this report or otherwise made by us or on our behalf. We have no obligation to update or revise these forward-looking statements and do not undertake to do so.

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

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Item 1A. Risk Factors

Before you make an investment decision with respect to any of our securities, you should carefully consider all the information we have included in this Annual Report on Form 10-K and our subsequent periodic filings with the SEC. In particular, you should carefully consider the risk factors described below and the risks and uncertainties related to "Forward-Looking Statements," any of which could materially adversely affect our business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this annual report. The risks and uncertainties described below are not the only ones facing Frontier. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial or that are not specific to us, such as general economic conditions, may also adversely affect our business and operations. The following risk factors should be read in conjunction with the balance of this annual report, including the consolidated financial statements and related notes included in this report.

Risks Related to the Verizon Transaction

We may not consummate the Verizon Transaction on the terms or timeline currently contemplated or at all.

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

We have incurred and expect to continue to incur significant costs related to the Verizon Transaction, such as legal, accounting, filing, financial advisory, and integration costs. In addition, we consummated the financing for the Verizon Transaction prior to the closing of such transaction. If the Verizon Transaction is ultimately not consummated or is delayed for a significant period of time, we will have paid additional dividends, significant interest expense and other costs in connection with the financings, and we may be obligated to repurchase the unsecured senior notes issued in September 2015, without achieving the expected benefits of the Verizon Transaction.

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

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

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

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

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

Pursuant to the securities purchase agreement executed in connection with the Verizon Transaction, we will acquire assets and liabilities of Verizon's local exchange business and related landline activities in California, Florida and Texas, including video, broadband internet and switched long distance services provided to designated customers located in those states. However, these assets may not be sufficient to operate all aspects of the acquired business and we may have to use assets or resources from our existing business or acquire additional assets in order to operate the acquired business, which could cost us more than we anticipate.

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

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

Our stock price may be adversely affected if we are unable to consummate the Verizon Transaction.

If the Verizon Transaction is not completed for any reason, the trading price of Frontier's common and preferred stock may decline to the extent that the market price of the stock reflects positive market assumptions that the Verizon Transaction will be completed and the related benefits will be realized.

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

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

Risks Related to Our Business

We will likely face further reductions in voice customers, switched access minutes of use, long distance revenues and subsidy revenues.

We have experienced declining voice customers, switched access minutes of use, long distance revenues, federal and state subsidies and related revenues because of economic conditions, increasing competition, changing technology and consumer behavior (such as wireless displacement of wireline use, e-mail use, instant messaging and increasing use of VoIP), technology and regulatory constraints. We will likely continue to experience further reductions in the future. These factors, among others, are likely to cause our local network service, switched network access, long distance and subsidy revenues to continue to decline, and these factors may cause our cash generated by operations to decrease.

We face intense competition.

The communications industry is extremely competitive. Through mergers and various service expansion strategies, service providers are striving to provide integrated solutions both within and across geographic markets. Our competitors include competitive local exchange carriers, Internet service providers, wireless companies, VoIP providers and cable companies, some of which may be subject to less regulation than we are, that may provide services competitive with the services that we offer or intend to introduce. We also believe that wireless and cable telephony providers have increased their penetration of various services in our markets. We expect that competition will remain robust. Our revenue and cash flow will be adversely impacted if we cannot reverse our customer losses or continue to provide high-quality services.

We cannot predict which of the many possible future technologies, products or services will be important in order to maintain our competitive position or what expenditures will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on the success of capital expenditure investments in our properties, in addition to our new marketing efforts, our ability to anticipate and respond to various competitive factors affecting the industry, including a changing regulatory environment that may affect our business and that of our competitors differently, new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and pricing strategies by competitors. Increasing competition may reduce our revenues and increase our marketing and other costs as well as require us to increase our capital expenditures and thereby decrease our cash flows.

Some of our competitors have superior resources, which may place us at a cost and price disadvantage.

Some of our competitors have market presence, engineering, technical, marketing and financial capabilities, substantially greater than ours. In addition, some of these competitors are able to raise capital at a lower cost than we are able to. Consequently, some of these competitors may be able to develop and expand their communications and network infrastructures more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements, take advantage of acquisition and other opportunities more readily and devote greater resources to the marketing and sale of their products and services than we will be able to. Additionally, the greater brand name recognition of some competitors may require us to price our services at lower levels in order to retain or obtain customers. Finally, the cost advantages of some of these competitors may give them the ability to reduce their prices for an extended period of time if they so choose. Our business and results of operations may be materially adversely impacted if we are not able to effectively compete.

We may be unable to stabilize or grow our revenues and cash flows despite the initiatives we have implemented.

We must produce adequate revenues and cash flows that, when combined with cash on hand and funds available under our revolving credit facility and other financings, will be sufficient to service our debt, fund our capital expenditures, pay our taxes, fund our pension and other employee benefit obligations and pay dividends pursuant to our dividend policy. We have experienced revenue declines in 2015 and 2014 as compared to prior years for our Frontier legacy operations, and our recently acquired Connecticut operations have experienced similar revenue declines. While we have identified potential areas of opportunity and implemented s