

FOCUS Telecom
Technology and Services Group
U.S. Communications
Service Provider
Quarterly

Winter 2015 Report

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FOCUS

Investment Banking

Seasoned, Systematic, SuccessfulSM

Investment Banking and Advisory Services

FOCUS Investment Banking LLC is a leading investment bank with specialized telecom technology and services expertise, concentrating on providing four highly-tailored services to emerging middle market and larger organizations in this sector:

Sellside Assignments
Buyside Engagements
Capital Formation
Valuation and Fairness Options

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U.S. Communications Service Provider Quarterly

By Richard Pierce, FOCUS Managing Director and Telecom Technology and Services Team Leader

FOCUS believes that the need for communications services has never been greater. Large enterprises, small and medium sized businesses, and individuals have all come to rely upon ubiquitous access to voice, video, and data services to run their day-to-day activities. Furthermore, the importance of Communications Service Providers (CSPs) appears poised to increase further as they begin to enable a variety of new services ranging from hosted PBX and videoconferencing platforms to in-home security and energy management solutions.

Access to capital and the benefits of scale will mean that a small number of large companies will continue to dominate certain areas such as mobile wireless and video. However, FOCUS continues to see opportunities for middle market CSPs. While not as large as the industry giants, they continue to thrive by developing innovative business models that share one or more characteristics such as capital efficiency, customer responsiveness, an advanced technology platform and a focus on an underserved industry vertical or geography.

Furthermore, it often is the middle market CSPs that point the direction for the future of the industry. FOCUS is proud of its commitment to the CSP sector and we are excited about the prospects for middle market companies in this space.

The FOCUS Telecom Technology and Services group consists of four professionals with a mix of backgrounds that include both C-level operating expertise and experience at leading middle market investment banks. The FOCUS Telecom team is uniquely qualified to help middle market clients reach their strategic objectives because the group:

- Devotes significant senior level resources to executing transactions for lower middle market clients,

- Has a breadth of knowledge that covers most segments of the telecom industry,
- Has bankers with C-level operating experience in the telecom industry,
- Has a proven transaction methodology for delivering results,
- Is equally comfortable with buy side and sell side M&A,
- Leverages an experienced team of research professionals, and
- Has a national presence with coverage of both east and west coasts.

Sub Sector Definitions

Large Cap: Large, diversified communications service providers that control a significant number of former RBOC access lines and/or have a nationwide wireless operation.

Alternative Telecom: Competitive carriers that primarily provide basic voice, data and transport services to businesses and other telecom service providers.

Hosted and Managed Services: Companies that provide hosted VoIP telecom services as well as additional hosted offerings such as audio and video conferencing.

ILEC and Diversified ILEC: Non-RBOC incumbent carriers, many of which have branched out into other sectors of communications services.

Cable and Video: Incumbent cable service providers, satellite video providers, and competitive video providers whose core business is providing video services to residential customers.

Summary Comments

Public Markets

The FOCUS Communications Service Provider Index (CSPI) followed up the modest gain from our Fall reporting period with a modest loss of -0.2% for the current three month period. This loss was despite strong gains in the overall market as the S&P 500 gained 4.4% and the NASDAQ jumped 5.4%. However, the relatively poor performance of the CSPI can be traced primarily to a 5.5% drop in the Large Cap sub sector. The other sub sectors in the index generally performed well. For the full year of 2014, the CSPI posted a gain of 5.7%. Once again this trailed the broader indices due to the drag of the Large Cap sub sector. Multiple trends for the CSPI were mixed. The sector revenue multiple grew slightly from 2.2x to 2.3x over the course of 2014, while the sector EBITDA multiple declined from 7.8x to 6.6x.

Large Cap

As mentioned previously, the Large Cap sub sector had a rough three months, dropping 5.5% for the period. All the companies in the index posted negative returns, but the largest decline by far was the 34.5% decline at Sprint. The decline at Sprint, as well as at fellow wireless operators AT&T and Verizon, can largely be traced to investor fears about the impact of intensifying price competition on the U.S. wireless market. The situation is only slightly better for the 12-month period. The sub sector dropped 3.0% with declines at AT&T, Sprint, and Verizon.

The lone bright spot for 2014 was CenturyLink, which gained more than 20% for the year. The sub sector revenue multiple increased slightly compared to the year ago period, moving from 2.0x to 2.1x. Conversely, the sub sector EBITDA multiple dropped sharply from 7.6x to 5.6x. This drop is primarily attributable to the fact that the multiple for Sprint was more than cut in half as it dropped from 12.5x to 5.5x.

Alternative Telecom

In stark contrast to the Large Cap sub sector, the Alternative Telecom sub sector capped off a very strong 2014 with a 14.0% gain in the final three months of the year. Every single stock in the index posted a strong gain. While the sub sector lost TW Telecom after Level 3 wrapped up its acquisition of the company, the highly successful IPO of Zayo Group more than made up for the loss of this long-time sub sector stalwart. For the full year, the Alternative Telecom sub sector was up nearly 40%, making it far and away the best performing sub sector in the CSPI.

As might be expected, a significant portion of this appreciation was the result of multiple expansion. The sub sector revenue multiple went from 2.3x to 4.1x, while the EBITDA multiple went from 10.3x to 15.3x. Newcomer Zayo Group now trades at the highest multiples in the sub sector. Its multiples ended the period at 8.8x revenue and 30.0x EBITDA. Clearly, the market has high expectations for Zayo Group's future growth.

Hosted and Managed Services

The Hosted and Managed Services sub sector rebounded from its poor performance in our last report to post a 17.4% gain in the Winter reporting period. This enabled it to edge out the Alternative Telecom sub sector for the title of best performing sub sector for the period. 8x8 was a key driver of these gains with an increase of 37.1%, and j2 Global and RingCentral also performed very well. The strong year-end surge enabled the sub sector to show a gain of 11.4% for the year, bringing it roughly in line with the broader indices. Sub sector multiples ended the year at 2.7x revenue and 12.0x EBITDA. Both of these multiples were up slightly from what we saw in the year-ago period.

ILEC and Diversified ILEC

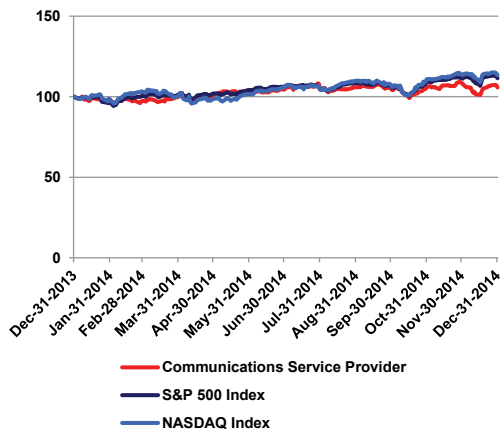
After a rare appearance as the top performing sub sector in our Fall report, the ILEC and Diversified ILEC sub sector did an about face and dropped 6.4% in this most recent three month period. This made it the worst performing sub sector over this time frame. The loss was not broad-based, as five of the nine companies in the index actually were in the black for the period. However, the 23.6% drop in Windstream was large enough to drag the entire sub sector into negative territory. The picture for the full year is much brighter. The sub sector had a strong increase of nearly 16%, and the sub sector multiples increased. The sub sector revenue multiple went from 2.0x to 2.2x, while the sub sector EBITDA multiple grew from 5.7x to 6.9x.

Cable and Video

After a roughly flat performance in our last report, the Cable and Video sub sector once again returned to growth mode with a gain of 7.3% for the three month period. Every single company in the index showed a gain, with Cablevision, Charter Communications, Dish Network, and General Communication all posting double digit increases. The sub sector also is up 15.8% for full year 2014. Sub sector multiples expanded from 2.5x revenue and 8.3x EBITDA at the beginning of the year to end the year at 2.7x revenue and 8.7x EBITDA.

U.S. Communications Service Provider Sector: Public Market Summary

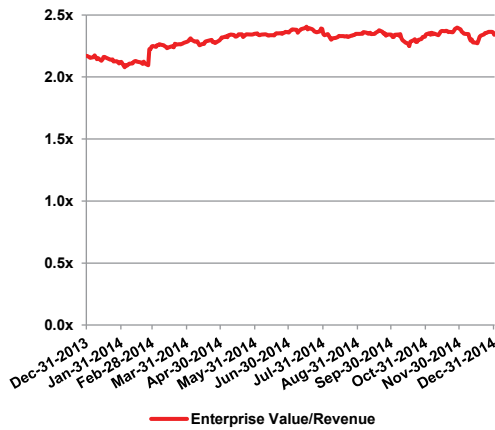
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	5.7%	-0.2%
Large Cap	-3.0%	-5.5%
Alternative Telecom	39.6%	14.0%
Hosted and Managed Services	11.4%	17.4%
ILEC and Diversified ILEC	15.7%	-6.4%
Cable and Video	15.8%	7.3%
S&P 500	11.4%	4.4%
NASDAQ	13.4%	5.4%

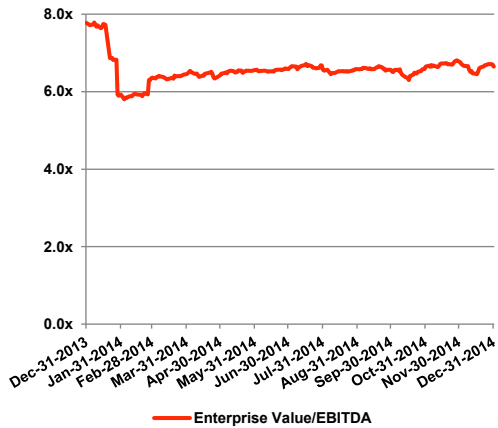
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	12/31/2014	12/31/2013
Communications Service Provider	2.3x	2.2x
Large Cap	2.1x	2.0x
Alternative Telecom	4.1x	2.3x
Hosted and Managed Services	2.7x	2.6x
ILEC and Diversified ILEC	2.2x	2.0x
Cable and Video	2.7x	2.5x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	12/31/2014	12/31/2013
Communications Service Provider	6.6x	7.8x
Large Cap	5.6x	7.6x
Alternative Telecom	15.3x	10.3x
Hosted and Managed Services	12.0	11.4x
ILEC and Diversified ILEC	6.9x	5.7x
Cable and Video	8.7x	8.3x

Source: Capital IQ

Summary Comments

M & A

M&A activity picked up in the Communications Service Provider sector in the final three months of the year. We counted 19 total transactions with a total announced transaction dollar value of \$637.5 million. This brings the total number of transactions for the year to 68, which is roughly average for what we typically see in a year.

However, 2014 definitely will be remembered as a year of “big deals.” The total announced dollar value of transactions for all of 2014 exceeded \$150 billion. This made 2014 by far the most active year in terms of announced transaction dollar volume in recent memory. The AT&T/DirecTV and Comcast/Time Warner Cable deals accounted for approximately \$130 billion of this volume, but even excluding these two transactions activity still was relatively strong.

Alternative Telecom

Alternative Telecom saw 10 transactions in our Winter reporting period. Interestingly, five of these transactions involved companies that leverage fixed wireless broadband technology to deliver services to business customers. This included the acquisition of Business Only Broadband by Windstream. Fixed wireless providers have had their ups and downs over the years, but perhaps this area is beginning to see a bit of a renaissance.

As usual, Zayo Group was among the ranks of acquirers for the period with its acquisition of fiber assets from IdeaTek Systems. However, Spirit Communications showed that Zayo Group has not completely cornered the market

for fiber acquisitions with its \$157.1 million acquisition of SCANA communications. Finally, serial acquirer Global Telecom and Technology returned to the deal table with a nearly \$40 million deal for UNSI.

Hosted and Managed Services

The Hosted and Managed Services sub sector had four total transactions for the period. The largest was Vonage’s acquisition of TeleSphere for \$114 million. This acquisition follows up on Vonage’s earlier purchase of Vocalocity and clearly demonstrates Vonage’s commitment to the business side of the hosted communications space.

The other transactions in the sub sector were much smaller. Fusion Communications made another acquisition with the pickup of PingTone Communications for \$10.1 million. In addition, DSCI, which received a private equity investment earlier in 2014 from McCarthy Capital, acquired Unified Technologies to expand its presence in Maine. Finally, Arkadin acquired hosted web and video conferencing vendor AccuConference.

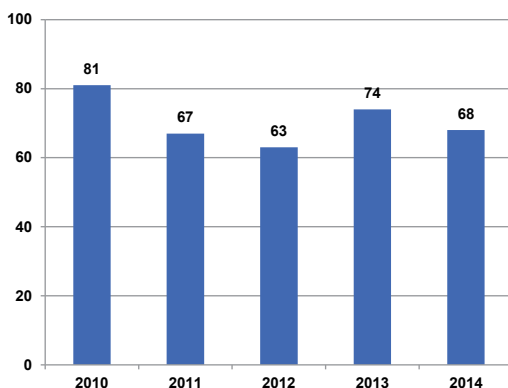
ILEC and Diversified ILEC

The lone transaction in the ILEC and Diversified ILEC sub sector was BHT Holdings’ acquisition of Tri-County Telephone Association. BHT Holdings is a newly formed company that is seeking to acquire additional rural ILECs. Tri-County Telephone Association, like many small ILECs, has a cooperative ownership structure, and it is relatively rare to see transactions involving these co-ops. It will be interesting to see if this is simply an exception to the rule or the harbinger of a larger trend.

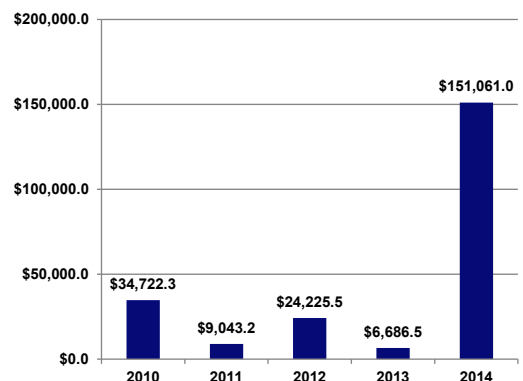
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U.S. Communication Service Provider Sector: M&A Summary

M&A Activity: Number of Transactions



M&A Activity (\$ Value of Transactions in Millions)



Cable and Video

The largest transaction in the Cable and Video sub sector was Liberty Global's purchase of Choice Cable TV. The acquisition enables Liberty Global to expand its presence in Puerto Rico. We also saw a new consolidator emerge in the space as CommZoom Communications acquired both Reach Broadband and Reveille Communications. Both of the acquired companies serve the Texas market. Finally, hybrid telco and cable operator Hargray Communications expanded its cable footprint with the acquisition of Reidsville, Georgia-based Kennedy Cablevision.

Transactions with Announced Multiples

We had three transactions with announced transaction multiples this reporting period. The TeleSphere and Ping-Tone Communications transactions paint an interesting picture of the market for hosted communications provid-

ers. TeleSphere had achieved reasonable scale and also had proven its ability to serve large business customers. Its multiple in the acquisition by Vonage was a lofty 2.9x revenue even though, according to Vonage, the company was only modestly EBITDA positive.

In contrast, much smaller PingTone Communications was acquired for a much lower 1.3x revenue and 4.8x "pro forma adjusted" EBITDA. While not nearly as high as the multiple in the TeleSphere transaction, this still represents an improvement over the sub 1x multiples we have seen in the past for many of the smaller hosted PBX vendors. Finally, the Global Telecom and Technology acquisition of UNSI was done for 0.7x revenue. While this is the lowest revenue multiple for the reporting period, this certainly is a function of the fact UNSI had consistently struggled to generate positive EBITDA.

M&A Announced Transactions (7/1/14–12/31/14)

Acquiror	Target	Date Announced	Sector	Purchase Price	Description
Voice Onyx	WonderLink Communications	12/31/14	Alternative Telecom	NA	VoIP, Internet fax and other related Internet services in Florida.
Spirit Communications	SCANA Communications	12/16/14	Alternative Telecom	\$157.1	Operates long haul and metro fiber optic networks in South Carolina and North Carolina.
Tucows	Blue Ridge Networks	12/16/14	Alternative Telecom	NA	Provides high speed Internet access and Internet hosting to customers in Central Virginia.
Liberty Global	Choice Cable TV	12/10/14	Cable and Video	\$272.5	Offers cable television and cable modem services in Puerto Rico.
Zayo Group	IdeaTek Systems (Carrier and Enterprise Segment)	12/4/14	Alternative Telecom	NA	Fiber provider with 1,800 route miles in Kansas, including a dense metro footprint in Wichita, Kansas.
Arkadin	AccuConference	12/1/14	Hosted & Managed Services	NA	Hosted web, video and audio conferencing services for businesses.
SpeedConnect	CommSpeed, Swift Wireless and eSedona Internet	11/24/14	Alternative Telecom	NA	Provides wireless broadband Internet services in Northern Arizona.
Vonage	TeleSphere	11/5/14	Hosted & Managed Services	\$114.0	Provides Unified Communications-as-a-Service solutions to larger enterprises in the small and medium business sector.
Fusion Telecommunications	PingTone Communications	11/3/14	Hosted & Managed Services	\$10.1	Provides hosted VoIP services to corporate, government and military customers.
Phoenix Internet	Last Mile Communications	10/28/14	Alternative Telecom	NA	Fixed wireless broadband services for customers in Arizona.
CommZoom Communications	Reach Broadband	10/24/14	Cable and Video	NA	Cable television operator serving 10 markets in South Texas.
CommZoom Communications	Reveille Broadband	10/24/14	Cable and Video	NA	Cable television operator serving the Bandera, Texas market.
Hargray Communications	Kennedy Cablevision	10/23/14	Cable and Video	NA	Cable television operator serving the Reidsville, Georgia market.
Single Digits	Spectra Access	10/21/14	Alternative Telecom	NA	Fixed wireless broadband solutions to commercial office buildings and tenants.
123.Net	Michigan Network Services	10/9/14	Alternative Telecom	NA	Provides fixed wireless, voice and data services.
DSCI	Unified Technologies	10/9/14	Hosted & Managed Services	NA	VoIP, cloud computing, enterprise network design, server virtualization and storage and telepresence solutions.
BHT Holdings	Tri-County Telephone Association	10/2/14	Diversified ILEC	\$46.0	Cooperative telephone company serving rural markets in Wyoming.
Global Telecom and Technology	UNSI	10/1/14	Alternative Telecom	\$37.8	Internet and private networking solutions for enterprise businesses, small-to-midsize businesses and service providers.
Windstream	Business Only Broadband	10/1/14	Alternative Telecom	NA	High-bandwidth, enterprise-class Ethernet and networking solutions using fixed wireless technology.
Premiere Global Services	TalkPoint	9/22/14	Hosted & Managed Services	NA	Software-as-a-service technology and services for webcasting and virtual meetings including audio and video webcasts.
Tiger Management	Hudson Fiber Network	9/22/14	Alternative Telecom	NA	Data transport provider for financial, carrier and enterprise clients.
Global Capacity	MegaPath (Network Services Business Unit)	9/9/14	Alternative Telecom	NA	Central office-based network serving business and wholesale customers.

M&A Announced Transactions (7/1/14 –12/31/14) *continued*

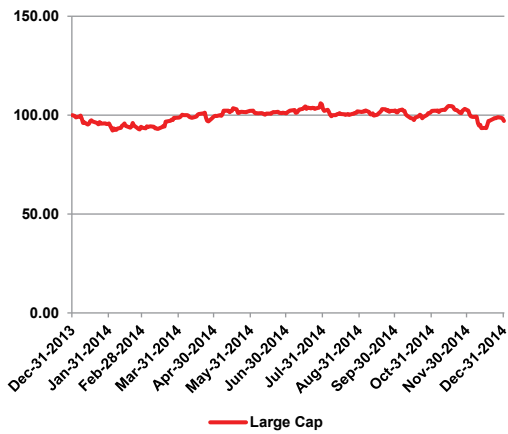
Acquiror	Target	Date Announced	Sector	Purchase Price	Description
KBLCOM	KBL-Portland Cablesystems	8/29/14	Cable and Video	NA	Provides cable TV services in Portland, Oregon.
FirstLight Fiber	G4 Communications	8/27/14	Alternative Telecom	NA	Data and voice communications solutions including Internet access, data-transport and telephone services in the New England region.
Ridgemont Equity Partners	Cross River Fiber	8/13/14	Alternative Telecom	NA	Regional provider of dark fiber and communications infrastructure-based services.
Thinking Phone Networks	Whaleback Systems	8/12/14	Hosted & Managed Services	NA	Cloud-based managed services for business communications and other business communication services.
Vyve Broadband	Reach Broadband (Certain Assets in Oklahoma)	8/6/14	Cable and Video	NA	Provides cable television services and broadband Internet in Oklahoma.
Vyve Broadband	Lakeview Cable	8/6/14	Cable and Video	NA	Provides cable television services and broadband Internet in Oklahoma.
TMX Group	Global Trading Systems (StrikeNet Assets)	8/5/14	Alternative Telecom	NA	Ultra-low-latency microwave network which connects North American exchange datacenters through Chicago and New Jersey hubs.
BCN Telecom	AMI Communications (Telecom Customer Base)	7/24/14	Alternative Telecom	NA	Complete line of voice, data, IT and enterprise solutions in the greater Chicago area.
Integra Telecom	World Communications	7/14/14	Alternative Telecom	NA	Voice and data services to domestic and international carriers, cable companies, content providers and cellular providers.
Virginia Everywhere	Roadstar Internet	7/9/14	Alternative Telecom	NA	Wireless broadband services to enterprises, residences, towns, municipalities and service providers primarily in Virginia.
Buckeye Telesystem	Line Systems	7/3/14	Alternative Telecom	\$47.5	Voice, data and cloud communication services including SIP trunking, conferencing, hosted IP PBX, metro Ethernet and MPLS.
Management	Numerex (BNI Solutions Division)	7/3/14	Alternative Telecom	\$0.0	Provides broadband local and wide area network service and interactive video applications.
Tolt Solutions	iPass (Unity Network Services Division)	7/1/14	Alternative Telecom	\$28.2	Provider of retail and distributed managed network and security services to retail customers.

M&A Announced Transactions with Revenue Multiples (1/1/14 –12/31/14)

Acquiror	Target	Date Announced	Sector	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Vonage	TeleSphere	11/5/14	Hosted & Managed Services	\$114.0	2.9 x	NA	Provides Unified Communications-as-a-Service solutions to larger enterprises in the small and medium business sector.
Fusion Telecommunications	PingTone Communications	11/3/14	Hosted & Managed Services	\$10.1	1.3 x	4.8 x	Provides hosted VoIP services to corporate, government and military customers.
Global Telecom and Technology	UNSI	10/1/14	Alternative Telecom	\$37.8	0.7 x	NA	Internet and private networking solutions for enterprise businesses, small-to-midsize businesses and service providers.
Tolt Solutions	iPass (Unity Network Services Division)	7/1/14	Alternative Telecom	\$28.2	0.9 x	NA	Provider of retail and distributed managed network and security services to retail customers.
Consolidated Communications	Enventis	6/30/14	Diversified ILEC	\$356.1	1.9 x	7.6 x	Provides integrated communication services to business and residential customers in the upper midwest.
Level 3 Communications	TW Telecom	6/16/14	Alternative Telecom	\$7,204.8	4.5 x	13.9 x	Managed network services in the United States including business Ethernet, data networking and IP-based communications.
Clarity Telecom	Wide Open West (South Dakota Operations)	6/12/14	Cable and Video	\$262.0	3.2 x	8.2 x	Broadband communication, Internet and cable systems serving Rapid City and Sioux Falls, South Dakota.
AT&T	DirecTV	5/18/14	Cable and Video	\$65,881.3	2.1 x	8.1 x	Provides digital television entertainment services in the United States and Latin America.
Telephone & Data Systems	Bend Broadband	5/1/14	Cable and Video	\$261.0	3.7 x	NA	Provides high-speed Internet, fiber connectivity, cable and digital television and telephone services in Central Oregon.
Birch Communications	Cbeyond	4/21/14	Hosted & Managed Services	\$321.6	0.7 x	4.5 x	Cloud-based services, communications services and network connectivity to small and medium business customers.
Comcast	Time Warner Cable	2/13/14	Cable and Video	\$68,707.7	3.1 x	8.9 x	Operates cable television systems that offer video, high-speed data and voice services to residential and business customers.

Sub Sector Analysis: Large Cap

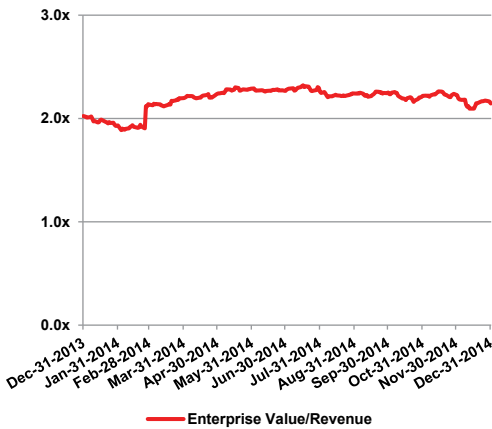
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Large Cap Index	-3.0%	-5.5%
AT&T	-4.5%	-4.7%
CenturyLink	24.3%	-3.2%
Sprint	-61.4%	-34.5%
Verizon	-4.8%	-6.4%

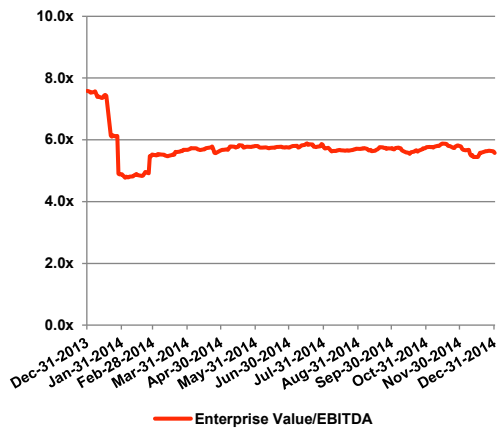
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2014	12/31/2013
Large Cap Index	2.1x	2.0x
AT&T	1.9x	2.0x
CenturyLink	2.4x	2.2x
Sprint	1.2x	1.9x
Verizon	2.4x	2.0x

EBITDA Multiple Trends



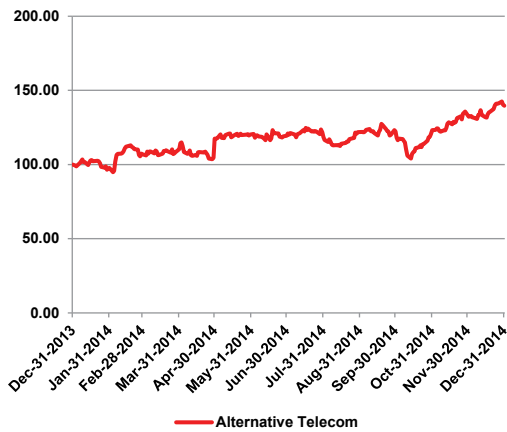
Company EBITDA Multiples

	12/31/2014	12/31/2013
Large Cap Index	5.6x	7.6x
AT&T	5.4x	5.6x
CenturyLink	6.1x	5.3x
Sprint	5.5x	12.5x
Verizon	5.9x	4.9x

Source: Capital IQ

Sub Sector Analysis: Alternative Telecom

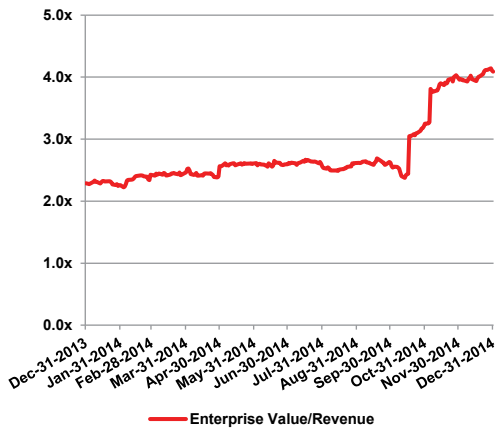
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Alternative Telecom Index	39.6%	14.0%
Boingo	19.7%	7.6%
Cogent Communications	-12.4%	5.3%
EarthLink	-13.4%	28.4%
Global Telecom and Technology	81.2%	11.1%
Inteliquent	72.0%	57.7%
Level 3	48.9%	8.0%
Towerstream	-37.5%	25.0%
Zayo Group	NA	NA

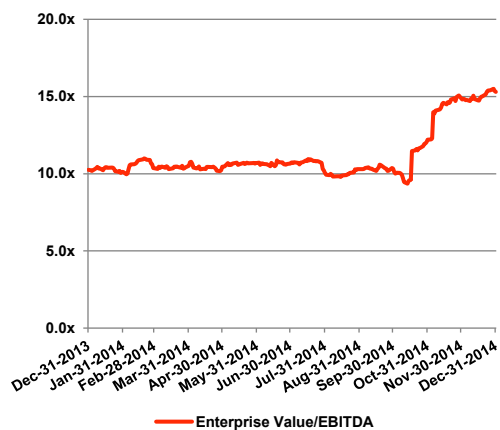
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2014	12/31/2013
Alternative Telecom Index	4.1x	2.3x
Boingo	2.2x	1.4x
Cogent Communications	5.2x	5.9x
EarthLink	0.8x	0.7x
Global Telecom and Technology	2.7x	1.6x
Inteliquent	2.6x	1.4x
Level 3	3.9x	2.5x
Towerstream	3.4x	5.0x
Zayo Group	8.8x	NM

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2014	12/31/2013
Alternative Telecom Index	15.3x	10.3x
Boingo	15.6x	7.5x
Cogent Communications	17.1x	18.6x
EarthLink	4.7x	4.4x
Global Telecom and Technology	16.2x	11.1x
Inteliquent	7.1x	4.3x
Level 3	13.7x	10.0x
Towerstream	NM	NM
Zayo Group	30.0x	NM

Source: Capital IQ

Sub Sector Analysis: Hosted and Managed Services

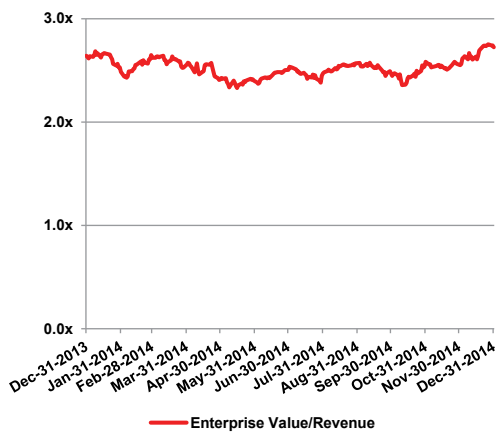
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Hosted & Managed Services Index	11.4%	17.4%
8x8	-9.8%	37.1%
Glowpoint	-20.3%	-15.4%
j2 Global	24.0%	25.6%
Premiere Global Services	-8.4%	-11.3%
RingCentral	-18.8%	17.4%
West Corporation	28.4%	12.0%

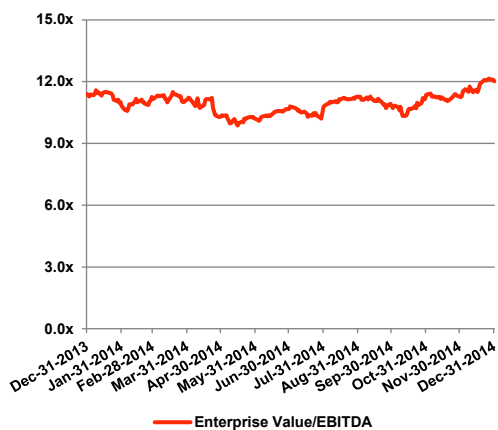
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2014	12/31/2013
Hosted & Managed Services Index	2.7x	2.6x
8x8	4.3x	6.7x
Glowpoint	1.5x	1.7x
j2 Global	5.1x	4.3x
Premiere Global Services	1.4x	1.4x
RingCentral	4.4x	7.2x
West Corporation	2.3x	2.0x

EBITDA Multiple Trends



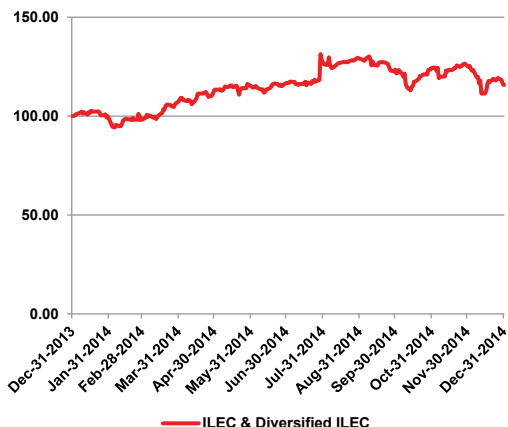
Company EBITDA Multiples

	12/31/2014	12/31/2013
Hosted & Managed Services Index	12.0x	11.4x
8x8	105.8x	72.9x
Glowpoint	13.9x	20.8x
j2 Global	12.3x	10.5x
Premiere Global Services	10.4x	10.9x
RingCentral	NM	NM
West Corporation	9.3x	8.3x

Source: Capital IQ

Sub Sector Analysis: ILEC and Diversified ILEC

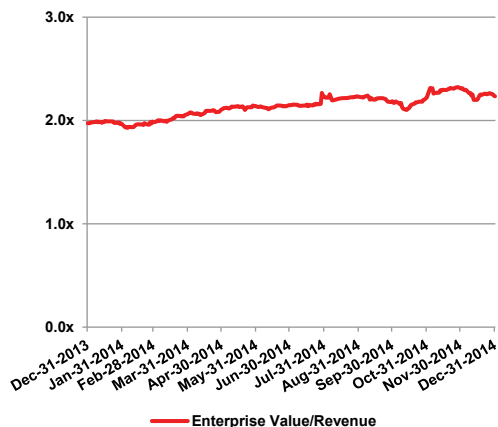
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
ILEC & Diversified ILEC Index	15.7%	-6.4%
Alaska Communications Systems	-15.6%	14.0%
Alteva	-13.7%	-0.1%
Consolidated Communications	41.8%	11.1%
Cincinnati Bell	-10.4%	-5.3%
Frontier	43.4%	2.5%
Lumos Networks	-19.9%	3.5%
Otelco	-13.5%	-5.4%
Telephone & Data Systems	-2.1%	5.4%
Windstream	3.3%	-23.6%

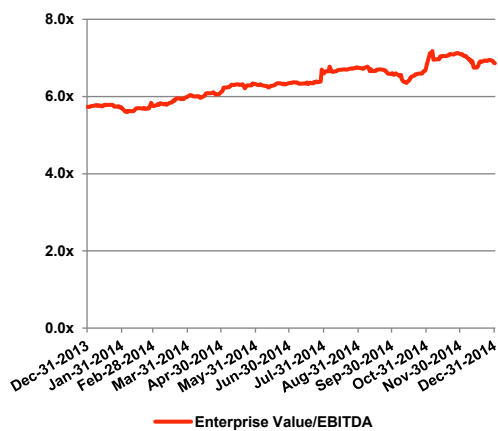
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2014	12/31/2013
ILEC & Diversified ILEC Index	2.2x	2.0x
Alaska Communications Systems	1.6x	1.5x
Alteva	0.4x	2.1x
Consolidated Communications	4.7x	3.3x
Cincinnati Bell	2.0x	2.4x
Frontier	3.3x	2.6x
Lumos Networks	3.6x	3.8x
Otelco	1.6x	1.8x
Telephone & Data Systems	0.9x	0.9x
Windstream	2.3x	2.3x

EBITDA Multiple Trends



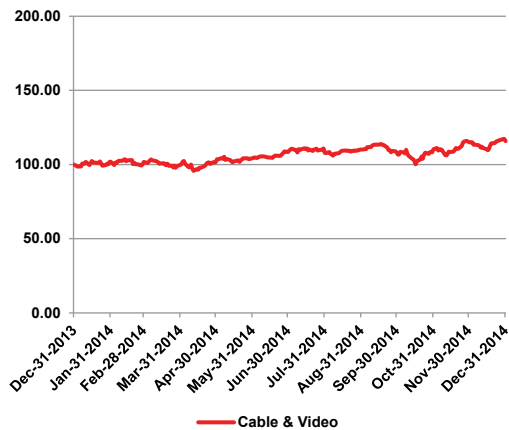
Company EBITDA Multiples

	12/31/2014	12/31/2013
ILEC & Diversified ILEC Index	6.9x	5.7x
Alaska Communications Systems	16.1x	6.8x
Alteva	NM	NM
Consolidated Communications	11.7x	8.2x
Cincinnati Bell	5.9x	8.8x
Frontier	7.3x	5.5x
Lumos Networks	7.4x	8.9x
Otelco	4.3x	4.4x
Telephone & Data Systems	9.0x	5.9x
Windstream	6.1x	5.7x

Source: Capital IQ

Sub Sector Analysis: Cable and Video

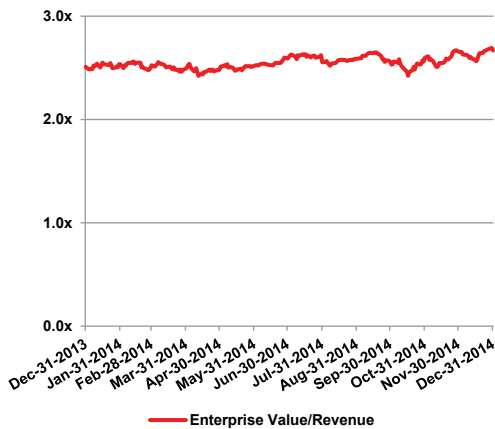
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Cable & Video Index	15.8%	7.3%
Cablevision	15.1%	17.9%
Charter Communications	21.8%	10.1%
Comcast	11.6%	7.9%
DirecTV	25.5%	0.2%
Dish Network	25.8%	12.9%
General Communication	23.3%	26.0%
Time Warner Cable	12.2%	6.0%

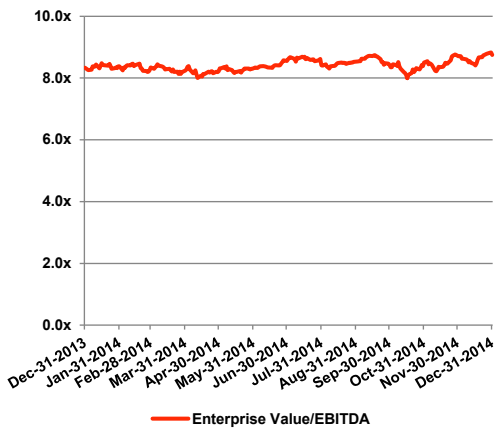
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2014	12/31/2013
Cable & Video Index	2.7x	2.5x
Cablevision	2.3x	2.2x
Charter Communications	4.0x	3.5x
Comcast	2.9x	2.7x
DirecTV	1.8x	1.7x
Dish Network	2.6x	2.2x
General Communication	2.1x	2.2x
Time Warner Cable	2.9x	2.8x

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2014	12/31/2013
Cable & Video Index	8.7x	8.3x
Cablevision	8.1x	8.5x
Charter Communications	11.7x	10.2x
Comcast	8.5x	8.3x
DirecTV	7.5x	7.0x
Dish Network	13.3x	10.5x
General Communication	6.2x	6.9x
Time Warner Cable	8.5x	8.0x

Source: Capital IQ

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FOCUS Investment Banking LLC provides a range of middle market investment banking services with an emphasis on mergers, acquisitions, divestitures and corporate finance. FOCUS is a national firm serving clients from offices in major cities across the United States. FOCUS specializes in business units with transactions or revenues in the \$5-300 million range, serving entrepreneurs, corporate owners and various types of investors across a broad range of industries, throughout the U.S. and worldwide. FOCUS bankers are seasoned operating and financial executives with extensive transaction experience. Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker/Dealer and member FINRA/SIPC. For more information on FOCUS, visit www.focusbankers.com.

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