Section 1: 10-K (10-K)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
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	06-0619596
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 Merritt 7 Norwalk, Connecticut	06851
(Address of principal executive offices)	(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 $0.25 per share	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 __ No X

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, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐
Smaller Reporting Company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2018 was $559,443,000 based on the closing price of $5.36 per share on June 29, 2018. The number of shares outstanding of the registrant's common stock as of February 26, 2019 was 105,303,000.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Frontier's 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

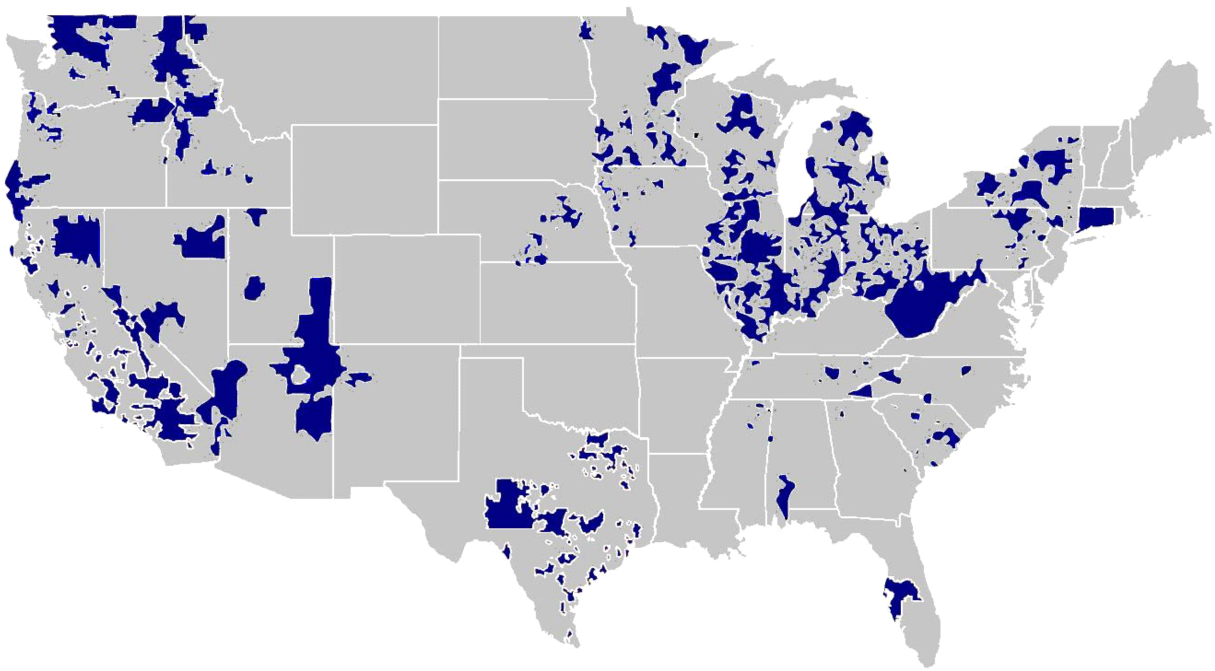
TABLE OF CONTENTS

PART I

Item 1. Business

Frontier Communications Corporation (Frontier) is a provider of communications services in the United States, with approximately 4.5 million customers, 3.7 million broadband subscribers and 21,200 employees, operating in 29 states. On April 1, 2016, we completed our acquisition of Verizon's wireline properties in California, Texas, and Florida (the CTF Acquisition or the CTF Operations).

Frontier's Service Territories



How We Serve Our Customers

We conduct business with both consumer and commercial customers.

Consumer. We provide broadband, video, voice and other services and products to our consumer customers. We deliver these services generally over a combination of fiber and copper-based networks.

Commercial (small, and medium business, and larger enterprise customers (SME) as well as wholesale customers).

Commercial. We provide a broad range of services to our SME customers, including broadband service, Ethernet service, traditional circuit-based services (TDM services), SD-WAN, managed Wi-Fi, managed cloud IT solutions, voice and Unified Communications as a Service (UCaaS services) and Voice over Internet Protocol (VoIP). We also offer advanced hardware and network solutions and services.

- *Larger Enterprise:* Fortune 1000, multi-location companies, large government entities, large educational institutions, and non-profits.
- *Medium Business:* Single or multi-location companies and mid-sized government entities, educational institutions and non-profits.
- *Small Business:* Mostly single-location businesses, the smaller of which have purchase patterns similar to consumer customers.

- *Wholesale*: Wholesale customers are often referred to as carriers or service providers and include national operators such as AT&T and Verizon; Local Exchange Companies that need to access locations within Frontier's footprint to offer local services; and wireless carriers and integrated carriers that offer a variety of services across all of these categories. Wholesale customers buy both voice and data services to supplement their own network infrastructure.

Services and Products

We offer a broad portfolio of communications services for consumer and commercial customers. These services are offered on either a standalone basis or in a bundled package, depending on each customer's needs.

Data and Internet services. We offer a comprehensive range of broadband and networking services. The principal consumer service we provide is broadband internet service. Commercial services include a complete portfolio of Ethernet services, dedicated internet, software defined wide area network (SDWAN), managed Wi-Fi, time division multiplexing (TDM) data transport services and optical transport services. These services are all supported by 24/7 technical support and an advanced network operations center. We also offer wireless broadband services (using unlicensed spectrum) in select markets utilizing networks that we own or operate.

Video services. We offer video services under FiOS® brand in portions of California, Texas, Florida, Indiana, Oregon and Washington, and the Vantage™ brand in portions of Connecticut, North Carolina, South Carolina, Minnesota, Illinois, New York, and Ohio. We also offer satellite TV video service to our customers under an agency relationship with DISH® in all of our markets.

Voice services. We provide voice services, including data-based VoIP and UCaaS, long-distance and voice messaging services, to consumer and commercial customers in all of our markets. These services are billed monthly in advance. Long-distance 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 advance for unlimited use service, and billed in arrears for services on a per minute-of-use basis.

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

Access services. We offer a range of 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 are based on access rates filed with the Federal Communications Commission (FCC) for interstate services and with the respective state regulatory agency for intrastate services. See "Regulatory Environment" below.

Advanced Hardware and Network Solutions. We offer our SME customers various hardware and network solutions utilizing cloud functionality and Customer Premise Equipment (CPE). We offer third-party communications equipment tailored to their specific business needs by partnering with Mitel, Cisco, Ingram Micro, Airbus, Avaya, Hewlett Packard, Adtran and other equipment manufacturers. CPE is typically sold in conjunction with voice, data and Internet services, and may also be sold on a standalone basis.

Transformation Program

In 2018, Frontier launched a multi-year strategic transformation program with the aim of re-positioning the company to be better able to react to current and future business and operational challenges and to create long-term sustainable value. We believe there are substantial opportunities to improve revenues, operations, customer care and technical support by simplifying our business processes that have become more complex as the Company has grown and evolved over time.

We have aligned Frontier's resources around the Transformation Program and have established dedicated cross functional teams for specific targeted business areas. As we develop, test, and deploy solutions in these areas, we are utilizing an agile approach, which entails focusing on discrete processes within the related subject areas and working iteratively over very short time frames to develop, test and deploy solutions. We believe this approach will lead to not only greater success, but also increase the rate at which success is realized as compared to traditional approaches.

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.

We have expanded and enhanced our fiber optic and copper transport systems to support increasing demand for high bandwidth transport services. We routinely enhance our network and upgrade 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 support advanced services such as Ethernet, Dedicated Internet, VoIP, and SDWAN. The network is designed with redundancy and auto-failover capability on our major circuits.

We connect to households and business locations in our service territory using a combination of fiber optic, copper and wireless technologies. In some cases we provide direct fiber into a residence or a business premises. In other cases a location is served with a hybrid combination of fiber and copper. Residences in our service territory are served by fiber-to-the-home (FTTH) and by fiber-to-the-node (FTTN), meaning fiber carries the traffic to an intermediate location where the signals are converted to copper wire for the final delivery to the household. We provide data, video, and voice services to customers over both of these architectures. Additionally, fixed wireless broadband (FWB) will play an important part of our future broadband strategy and is deployed for some business Ethernet services. FWB is delivered by the use of an antenna on a Frontier base location and another antenna at the customer location.

Rapid and significant changes in technology are occurring in the communications industry. Our success will depend, in part, on our ability to anticipate and adapt to technological changes. We believe that our next generation 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. We will continue to make strategic enhancements to our network, with a focus on higher return investments.

Competition

Competition within the communications industry is intense. Technological advances as well as regulatory and legislative changes have enabled a wide range of historically non-traditional communications service providers to compete with traditional providers, including Frontier. More market participants are now competing to meet the telecommunications needs of the same customer base, thus increasing competitive pressures. Many of these service providers are not subject to the same regulations as traditional communications providers and have lower cost structures than we do. The industry has also experienced substantial consolidation in recent years. Many of our competitors are larger, have stronger brand recognition, and have more service offerings and greater financial resources than we currently do. All of these factors create downward pressure on the demand for and pricing of our services. In addition to traditional communication providers we have competition with the following:

- *Cable operators*: In a majority of our markets, cable operators offer high speed Internet, video and voice services similar to ours, and compete with us aggressively for consumer and business customers on speed and price primarily by marketing with significant promotional period pricing.

- *Wireless carriers*: Wireless operators offer broadband, video and voice services and compete with us for consumer and business customers by offering increasingly larger data packages that utilize the latest 5G technology to mobile customers. As a result, the percentage of homes with landline telephone service has been declining, a trend we expect will continue.

- *Online video providers*: Many consumers are opting for internet-delivered video services (Over the Top, or OTT) through online service providers rather than traditional, multi-channel video. In response, we have made investments in our network to deliver OTT video content to consumers who might not opt for traditional video services. The percentage of homes with a video product has been declining, a trend we expect will continue.

Competition for consumer customers is based on price, bandwidth, quality and speed of service, including pricing and promotions as well as bundling of service offerings. Competition comes from other telecommunications providers, cable operators, Competitive Local Exchange Companies and other enterprises. Many consumer customers prefer the convenience and discounts available when voice, data, Internet and or video services are bundled by a single provider. Because of this, we offer satellite TV video service through DISH in areas where we don't otherwise have our own video capabilities. We believe this bundling capability positively impacts new customer acquisition and retention of existing customers. As of December 31, 2018, 48% of our consumer customers subscribed to at least two service offerings with 16% subscribed to three or more service offerings.

Competition for commercial customers is also based on price, bandwidth, quality and speed of service, including pricing and promotions and bundled offerings. Competition comes from other telecommunications providers, cable operators, Competitive Local Exchange Companies and other enterprises. As compared to our consumer customers, commercial customers often require more sophisticated and more data-centered solutions (e.g., IP PBX, E911 networks, Ethernet and SIP trunking).

Broadband is a core growth component for attracting and retaining consumer customers as well as our smaller commercial customers, whether bundled with video and/or voice services or on a standalone basis. We are committed to growing our customer base through providing higher broadband speeds and capacity that will enable us to reach new markets, target new customers and grow the business while maximizing our full geographic footprint.

In addition to the focus on our broadband capabilities, we must continue to evolve our other product offerings to stay current with the changing needs of the market, provide strong customer service and support, invest in our network to enable adequate capacity and capabilities and package our offerings at attractive prices.

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. Certain federal and state agencies, including attorneys general, monitor and exercise oversight related to consumer protection issues, including marketing, sales, provision of services, and service charges. 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 applicable building codes.

Some state 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 Federal Telecommunications Act of 1996, state regulatory commissions have jurisdiction to set certain rates, 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 some state regulatory commissions also impose fees on providers of telecommunications services 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.

Additionally, in some states we are subject to operating restrictions and minimum service quality standards. Failure to meet such restrictions may result in penalties. 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 19% of our total access lines as of December 31, 2018 are in state jurisdictions under the rate of return regulatory model. We continue to advocate for no or reduced regulation with the regulatory agencies in those states. In some of the states we operate in we have already been successful in reducing or eliminating price regulation on end-user services.

Federal Regulatory Environment

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 or the way we provide our services. 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.

The current status of material regulatory initiatives is as follows:

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): On November 18, 2011, the FCC adopted the Universal Service Fund (USF)/Intercarrier Compensation (ICC) Report and Order (the 2011 Order), which changed how federal subsidies are calculated and disbursed, and began the transition of the high-cost component of the Federal USF, which supported voice services in high-cost areas, to the CAF, which supports broadband deployment in high-cost areas.

On April 29, 2015, the FCC released offers of support to price cap carriers under the CAF Phase II program. The intent of these offers is to provide long-term support for carriers for establishing and providing broadband service with at least 10 Mbps downstream/1 Mbps upstream speeds in high cost areas unserved by a competitor. Frontier accepted the CAF Phase II offer in 28 states, including certain CTF properties, which provides for $332 million in annual support through 2020, and a commitment to make broadband available to approximately 774,000 households. CAF Phase II support is a successor to the approximately $156 million in annual USF frozen high cost support that Frontier had been receiving prior to the CTF acquisition, and the $42 million in annual transitional USF frozen high cost support that Verizon had been receiving in California and Texas. In addition to the annual support levels, these amounts also include frozen support phasedown amounts in states where the annual CAF II funding is less than the prior annual frozen high cost support funding. The frozen support phasedown support was $17 million and $9 million in 2017 and 2018, respectively. Phasedown funding provided to Frontier is complete as of December 31, 2018.

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 switched traffic, and began a multi-year transition to the new rates. The 2011 Order provided for the gradual elimination of effectively all terminating traffic charges by July 2017. The 2011 Order did not resolve all questions on originating access rates and the FCC continues to consider the possibility of a transition of originating access rates, although the impact on Frontier, if any, is unknown at this time. Our total revenue for Intercarrier Compensation was $4 million for the year ended December 31, 2018.

Special Access: On April 20, 2017, the FCC issued an Order (the 2017 Order) that significantly altered how commercial data services are regulated. Specifically, the 2017 Order adopted a test to determine, on a county-by-county basis, whether price cap ILECs, like Frontier's DS1 and DS3 services, will continue to be regulated. The test resulted in deregulation in a substantial number of our markets and is allowing Frontier to offer its DS1 and DS3 services in a manner that better responds to the competitive marketplace and allows for commercial negotiation. The areas that remain regulated may be subject to price fluctuations depending upon the price cap formula that year. Multiple parties appealed the 2017 Order, and the 8th Circuit issued a decision that upheld the majority of the 2017 Order. The part of the decision that was vacated and remanded to the FCC is currently stayed allowing the FCC to

resolve. Frontier cannot predict the outcome of that appeal or the impact of future changes on our results of operations.

Intrastate Services: Some state regulatory commissions regulate some of the rates ILECs charge for intrastate services, including originating switched access 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 originating 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. Our total revenue for Intrastate switched access services was $40 million for the year ended December 31, 2018, spread across all the states we serve.

Current and Potential Internet Regulatory Obligations and Privacy: In December 2017 the FCC voted to overturn the FCC's 2015 decision in which it had asserted jurisdiction over broadband service, declared broadband a "Title II" telecommunications service, and imposed rules to "preserve a Free and Open Internet" (i.e., net neutrality). Specifically, the FCC voted to eliminate explicit bans on blocking, throttling and paid prioritization in favor of requiring Internet service providers (ISPs) to be fully transparent about their practices. Both the FCC and Federal Trade Commission (FTC) will now have a role in ensuring that the ISPs are managing their network in the manner in which they publicly state they are. The December 2017 decision took effect in June 2018 and has been appealed to the D.C. Circuit. Oral argument occurred on February 1, 2019 and the timing of the Court's decision is uncertain. It is unclear whether pending or future appeals will have any impact on the regulatory structure.

At the same time, several states, including California, have sought to exercise jurisdiction over broadband services and privacy. The U.S. Department of Justice has filed a lawsuit against California, stating that it attempts to govern interstate commerce, which is a federal matter outside the state's jurisdiction. Four industry associations representing ISPs (USTelecom, CTIA, NCTA, and ACA) have also filed suit against California. Frontier cannot predict the outcome of this litigation or the extent to which regulatory changes associated with the California law could affect our financial results.

The December 2017 decision also puts ISPs on an equal footing with other online web companies with respect to privacy rules, with the FTC being the lead agency on privacy enforcement. However, like with net neutrality, certain states, including California, have sought to regulate ISP privacy practices. Meanwhile, Congress is also contemplating comprehensive privacy regulation. Frontier cannot predict what future ISP privacy rules will be, but we intend to meet those obligations.

Video programming

Federal, state and local governments extensively regulate the video services industry. Our FiOS and Vantage 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 California, Connecticut, Florida, Illinois, Indiana, Minnesota, New York, North Carolina, Ohio, Oregon, South Carolina, Texas and Washington 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.

Segment Information

We currently operate in one reportable segment.

Financial Information about Foreign and Domestic Operations and Export Sales

We have no foreign operations.

General

The dollar amount of our order backlog is not a significant consideration in our business and is not a meaningful metric for us. We have no material contracts or subcontracts that may be subject to renegotiation of profits or termination at the election of the federal government.

Intellectual Property

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

We own or have the rights to use various trademarks, service marks and trade names referred to in this report. Solely for convenience, we refer to trademarks, service marks and trade names in this report without the ™, ℠ and ® symbols. Such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted by law, our rights to our trademarks, service marks and trade names. Other trademarks, trade names or service marks appearing in this report are the property of their respective owners.

Employees

As of December 31, 2018, we had approximately 21,200 employees, as compared to approximately 22,700 employees as of December 31, 2017. During 2018, reduction in workforce activities resulted in the severance of approximately 220 employees. Approximately 15,000 of our total employees are represented by unions as of December 31, 2018. As of December 31, 2018, we had approximately 100 employees covered by a collective bargaining agreement that expired in 2017 or 2018 but have been extended and are still effective for 2019. Of the union-represented employees as of December 31, 2018, approximately 4,500 of the unionized workforce are covered by collective agreements that expire in 2019 and approximately 4,800 of the unionized workforce are covered by collective bargaining agreements that expire in 2020. We consider our relations with our employees to be good.

Available Information

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, or incorporated by reference into, 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.

Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements," related to future 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," "may," “will,” "would," or "target." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include, but are not limited to:

- declines in revenue from our voice services, switched and nonswitched access and video and data services that we cannot stabilize or offset with increases in revenue from other products and services;
- our ability to successfully implement strategic initiatives, including our transformation program and opportunities to enhance revenue and realize productivity improvements;
- competition from cable, wireless and wireline carriers, satellite, and OTT 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;
- risks related to disruption in our networks, infrastructure and information technology that result in customer loss and/or incurrence of additional expenses;
- the impact of potential information technology or data security breaches or other cyber-attacks or other disruptions;
- our ability to retain or attract new customers and to maintain relationships with customers, employees or suppliers;
- our ability to hire or retain key personnel;
- our ability to realize anticipated benefits from recent acquisitions;
- our ability to dispose of certain assets or asset groups on terms that are attractive to us, or at all;
- our ability to effectively manage our operations, operating expenses, capital expenditures, debt service requirements and cash paid for income taxes and liquidity;
- our ability to defend against litigation and potentially unfavorable results from current pending and future litigation;
- our ability to comply with applicable federal and state consumer protection requirements;
- adverse changes in the credit markets, which could impact the availability and cost of financing;
- our ability to repay or refinance our debt through among other things, accessing the capital markets, notes repurchase and/or redemptions, tender offers and exchange offers;
- adverse changes in the ratings given to our debt securities by nationally accredited ratings organizations;
- covenants in our indentures and credit agreements that may limit our operational and financial flexibility as well as our ability to access the capital markets in the future;
- the effects of state regulatory requirements that could limit our ability to transfer cash among our subsidiaries or dividend funds up to the parent company;

- the effects of governmental legislation and regulation on our business, including costs, disruptions, possible limitations on operating flexibility and changes to the competitive landscape resulting from such legislation or regulation;
- the impact of regulatory, investigative and legal proceedings and legal compliance risks;
- government infrastructure projects (such as highway construction) that impact our capital expenditures;
- 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 meet our remaining CAF II funding obligations and the risk of penalties or obligations to return certain CAF II funds;
- our ability to effectively manage service quality in the states in which we operate and meet mandated service quality metrics;
- the effects of changes in income tax rates, tax laws, regulations or rulings, or federal or state tax assessments, including the risk that such changes may benefit our competitors more than us, as well as potential future decreases in the value of our deferred tax assets;
- the effects of changes in accounting policies or practices, including potential future impairment charges with respect to our intangible assets;
- the effects of increased medical expenses and pension and postemployment expenses;
- our ability to successfully renegotiate union contracts;
- changes in pension plan assumptions, interest rates, discount 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 2018 and beyond; and
- the effects of changes in both general and local economic conditions in the markets that we serve.

Any of the foregoing events, or other events, could cause our 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.

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 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 Our Business

We have experienced declining revenues and may experience further declines in our revenues going forward.

We have experienced declining revenues as a result of declining voice services revenues, lower switched and nonswitched access revenues and declining video and data services revenues. Such declines have been driven primarily by customer losses, changing technology and consumer behavior (such as wireless displacement of wireline use, e-mail use, instant messaging and increasing use of VoIP), increased competition, regulatory constraints and financial decisions by governmental authorities. There can be no assurances that we will be able to stabilize or increase our revenues in the future. Future declines in our revenues could materially and adversely impact our ability to execute on our business strategy, comply with our financial covenants, repay our debts as they become due, negotiate with third parties or attract and retain employees.

If our transformation program and other initiatives are unsuccessful, we may be unable to stabilize or grow our revenues and cash flows.

We must produce adequate revenues and operating 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, and fund our pension and other employee benefit obligations. We continue to experience revenue declines as compared to prior years. While we have identified potential areas of opportunity and implemented strategic initiatives, including opportunities to enhance revenue and realize productivity improvement, we cannot assure you that these efforts will be successful.

We have established a transformation program with the objective of improving revenues, profitability, and cash flows by enhancing our operations and customer service and support processes. This program is a multi-year, comprehensive, strategic program that requires significant resources and may divert attention from ongoing operations and other strategic initiatives. We cannot assure you that the transformation program will achieve the anticipated results, or that we will not incur higher than anticipated costs when implementing the program. If the transformation program does not achieve the results we anticipate, it may have a material adverse effect on our financial position and our results of operations.

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, OTT, VoIP providers and cable companies, some of which may be subject to less regulation than we are. These entities may provide services competitive with the services that we offer or intend to introduce. For example, our competitors may seek to introduce networks in our markets that are competitive with or superior to our copper-based networks in those markets. We also believe that wireless and cable 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 effectiveness of capital expenditure investments in our properties, our 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, or habits, 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.

We may be unable to meet the technological needs or expectations of our customers, and may lose customers as a result.

The telecommunications industry is subject to significant changes in technology, and replacing or upgrading our infrastructure to keep pace with such technological changes could result in significant capital expenditures. If we do not replace or upgrade technology and equipment and manage broadband speeds and capacity as necessary, we may be unable to compete effectively because we will not be able to meet the needs or expectations of our customers.

In addition, enhancements to product offerings may influence our customers to consider other service providers, such as cable operators or wireless providers. We may be unable to attract new or retain existing customers from cable companies due to their deployment of enhanced broadband and VoIP technology. In addition, new capacity services for wireless broadband technologies may permit our competitors to offer broadband data services to our customers throughout most or all of our service areas. Any resulting inability to attract new or retain existing customers could adversely impact our business and results of operations in a material manner.

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

Some of our competitors have market presence, engineering, technical, marketing and financial capabilities which are 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, including leading edge technologies such as artificial intelligence, machine learning and various types of data science, as well as 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 and greater financial resources 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.

Weak economic conditions may decrease demand for our services or necessitate increased discounts.

We could be adversely impacted by weak economic conditions or their effects. Downturns in the economy and competition in our markets have in the past, and could in the future, cause some of our customers to reduce or eliminate their purchases of our basic and enhanced voice services, broadband and video services and make it difficult for us to obtain new customers or retain existing customers. In addition, if economic conditions are depressed or further deteriorate, our customers may delay or discontinue payment for our services or seek more competitive pricing from other service providers, or we may be required to offer increased discounts in order to retain our customers, which could have a material adverse effect on our business or results of operations.

We rely on network and information systems and other technology, and a disruption or failure of such networks, systems or technology as a result of computer viruses, cyber-attacks, misappropriation of data or other malfeasance, as well as outages, accidental releases of information or similar events, may disrupt our business and materially impact our results of operations, financial condition and cash flows.

Our information technology networks and infrastructure may be subject to damage, disruptions or shutdowns due to computer viruses, cyber-attacks or breaches, employee or third-party error or malfeasance, power outages, telecommunication or utility failures, systems failures, natural disasters or other catastrophic events.

Further, our network and information systems are subject to various risks related to third parties and other parties we may not fully control. We use encryption and authentication technology licensed from third parties to provide secure transmission of confidential information, including our business data and customer information. Similarly, we rely on employees in our network operations centers, data centers, call centers and retail stores to follow our procedures when handling sensitive information. While we select our third-party business partners and employees carefully, we do not always control their actions, which could expose us to cyber-security risks. In addition, our customers using our network to access the Internet may become victim to malicious and abusive Internet activities, such as unsolicited mass advertising (or spam), peer-to-peer file sharing, distribution of viruses, worms and other destructive or disruptive software; these activities could adversely affect our network, result in excessive call volume at our call centers and damage our or our customers' equipment and data.

While we maintain security measures, disaster recovery plans and business continuity plans for our business and are continuously working to upgrade our existing technology systems and provide employee training around the cyber risks we face, these risks are constantly evolving and are challenging to mitigate. Like many companies, we are the subject of increasingly frequent cyber-attacks. Any unauthorized access, computer viruses, accidental or intentional release of confidential information or other disruptions could result in misappropriation of our or our customers' sensitive information; financial loss; reputational harm; increased costs, such as those relating to remediation or future protection; customer dissatisfaction, which could lead to a decline in customers and revenue; and legal claims or proceedings, fines and other liabilities. There can be no assurance that the impact of such incidents would not be material to our results of operations, financial condition or cash.

Our business is sensitive to the creditworthiness of our wholesale customers.

We have substantial business relationships with other communications carriers for which we provide service. While bankruptcies or insolvency of these carriers have not had a material adverse effect on our business in recent years, future bankruptcies or insolvencies in the industry could result in the loss of significant customers, as well as cause more price competition and an increased allowance for doubtful accounts receivable. Such bankruptcies and insolvencies may be more likely in the future if economic conditions stagnate. As a result, our revenues and results of operations could be materially and adversely affected.

A significant portion of our workforce is represented by labor unions.

As of December 31, 2018, we had approximately 21,200 employees. Approximately 15,000 of our total employees were represented by unions and were subject to collective bargaining agreements. As of December 31, 2018, we had approximately 100 employees covered by a collective bargaining agreement that expired in 2017 or 2018, but have been extended and are still effective for 2019. Of the union-represented employees as of December 31, 2018, approximately 4,500, or 30%, of the unionized workforce are covered by collective agreements that expire in 2019 and approximately 4,800, or 32%, of the unionized workforce are covered by collective bargaining agreements that expire in 2020.

We cannot predict the outcome of negotiations of the collective bargaining agreements covering our employees. If we are unable to reach new agreements or renew existing agreements, employees subject to collective bargaining agreements may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services. New labor agreements or the renewal of existing agreements may impose significant new costs on us, which could adversely affect our financial condition and results of operations in the future.

If we are unable to hire or retain key personnel, we may be unable to operate our business successfully.

Our success will depend in part upon the continued services of our management team. We cannot guarantee that our key personnel will not leave or compete with us. The loss, incapacity or unavailability for any reason of key members of our management team could have a material impact on our business. In addition, our financial results and our ability to compete may suffer if we are unable to attract or retain qualified personnel in the future.

We may be unable to realize the anticipated benefits of recent acquisitions.

In recent years, we have completed multiple acquisitions. We cannot assure you that we will be able to realize the full benefit of any anticipated growth opportunities or scale benefits from such acquisitions or that these benefits will be realized within the expected time frames.

We have a significant amount of goodwill and other intangible assets on our balance sheet. We recorded goodwill impairments in 2017 and 2018 and if our goodwill or other intangible assets become further impaired, we may be required to record additional non-cash charges to earnings and reduce our stockholders' equity.

Under generally accepted accounting principles, intangible assets are reviewed for impairment on an annual basis or more frequently whenever events or circumstances indicate that their carrying value may not be recoverable. Frontier monitors relevant circumstances, including general economic conditions, enterprise value EBITDA multiples for other providers of communications services, our overall financial performance, and the market prices for our stock, and the potential impact that changes in such circumstances might have on the valuation of Frontier's goodwill or other intangible assets. On a quarterly basis we evaluate goodwill to assess possible triggering events which would be indicative of possible impairment. As a result of the continued decline in the share price of our common stock we had triggering events in the final three quarters of 2018 and each of the four quarters of 2017. Our quantitative assessments in the third and fourth quarters of 2018 and the second and fourth quarters of 2017 indicated that the carrying value of the enterprise exceeded its fair value and, therefore, an impairment existed. We recorded goodwill impairments totaling $641 million for 2018 and $2,748 million for 2017. If our goodwill or other intangible assets are determined to be further impaired in the future, we may be required to record a non-cash charge to earnings during the period in which the impairment is determined, which would reduce our stockholders' equity.

We may complete a future significant strategic transaction that may not achieve intended results. To the extent we consummate such a transaction, we may experience operational challenges in integrating or segregating assets and such transaction could increase the number of our outstanding shares or amount of outstanding debt.

We continuously evaluate and may in the future enter into additional strategic transactions. Any such transaction could happen at any time, could be material to our business and could take any number of forms, including, for example, an acquisition, merger, sale of certain of our assets, refinancing, or other recapitalization or material strategic transaction. Evaluating potential transactions and integrating completed ones may divert the attention of our management from ordinary operating matters.

The success of potential acquisitions or mergers will depend, in part, on our ability to realize the anticipated growth opportunities and cost synergies through the successful integration of the businesses we acquire with our existing business. Even if we are successful in integrating acquired businesses, we cannot assure you that these integrations will result in the realization of the full benefit of any anticipated growth opportunities or cost synergies or that these benefits will be realized within the expected time frames. In addition, acquired businesses may have unanticipated liabilities or contingencies.

In the past, we have disposed of assets for a variety of reasons, and we may, from time to time, consider disposing of other assets or asset groups in the future. We may not be able to dispose of any such assets on terms that are attractive to us, or at all, which could adversely impact our financial condition or results of operation. In addition, to the extent we consummate an agreement for the sale and disposition of an asset or asset group, we may experience operational difficulties segregating them from our retained assets and operations, which could impact the execution or timing for such dispositions and could result in disruptions to our operations and/or claims for damages, among other things.

If we complete an acquisition, merger, sale of certain assets, refinancing, recapitalization or material strategic transaction, we may require additional financing that could result in an increase in the number of our outstanding shares of stock or the aggregate amount and/or cost of our debt, which may result in an adverse impact to our ratings. The number of shares of our stock or the aggregate principal amount of our debt that we may issue may be significant. Moreover, the terms of any debt financing may be expensive or adversely impact our results of operations.

Negotiations with the providers of content for our video systems may not be successful, potentially resulting in our inability to carry certain programming channels on our FiOS and Vantage video systems, which could result in the loss of subscribers. Alternatively, because of the power of some content providers, we may be forced to pay an increasing amount for some content, resulting in higher expenses and lower profitability.

We must negotiate with the content owners of the programming that we carry on our multichannel video systems (marketed as FiOS video and Vantage video). These content owners are the exclusive provider of the channels they offer. If we are unable to reach a mutually-agreed contract with a content owner, including pricing and carriage provisions, our existing agreements to carry this content may not be renewed, resulting in the blackout of these channels. The loss of content could result in our loss of customers who place a high value on the particular content that is lost. In addition, many content providers own multiple channels. As a result, we typically have to negotiate the pricing for multiple channels rather than one, and carry and pay for content that customers do not value, in order to have access to other content that customers do value. Some of our competitors have materially larger scale than we do, and may, as a result, be better positioned than we are in such negotiations. As a result of these factors, the expense of content acquisition may continue to increase, and this could result in higher expenses and lower profitability.

We are subject to a significant amount of litigation, which could require us to pay significant damages or settlements.

We are party to various legal proceedings, including, from time to time, individual actions, class and putative class actions, and governmental investigations, covering a wide range of matters and types of claims including, but not limited to, general contract disputes, billing disputes, rights of access, taxes and surcharges, consumer protection, advertising, sales and the provision of services, trademark and patent infringement, employment, regulatory, tort, claims of competitors and disputes with carriers. Litigation is subject to uncertainty and the outcome if individual matters is not predictable. We may incur significant expenses in defending these lawsuits. In addition, we may be required to pay significant awards or enter into settlements with governmental or other entities which impose significant financial and business remediation measures.

We and other providers of VoIP service have been the target of recent intellectual property infringement litigation, which could have a material and adverse impact on our business.

We and other providers of VoIP service have been, and may in the future be, the target of intellectual property infringement litigation with respect to patents related to the provision of VoIP service. In April 2018, Sprint filed a complaint in the U.S. District Court for the District of Delaware alleging that Frontier infringes 15 patents purportedly relating to VoIP services. Some of these actions have recently been resolved in a manner adverse to other VoIP providers, including significant settlement amounts and a substantial jury award. While we believe these claims are without merit and intend to defend against such lawsuits vigorously, we cannot at this time predict the outcome of these lawsuits or reasonably estimate a range of possible loss. If any of these matters are resolved in plaintiff's favor, including if we choose to settle any such matters, our business and financial position could be materially and adversely impacted.

We rely on a limited number of key suppliers and vendors.

We depend on a number of suppliers and vendors for equipment and services relating to our network infrastructure, including network elements such as digital and internet protocol switching and routing equipment, optical and copper transmission equipment, broadband connectivity equipment, various forms of customer premise equipment, optical fiber, wireless equipment, as well as the software that is used throughout our network to manage traffic, network elements, and other functions critical to our operations. If any of our major suppliers were to experience disruption, supply-chain interruptions, financial difficulties, or other unforeseen problems delivering, maintaining, or servicing these network components on a timely basis, our operations could suffer significantly. In addition, due to changes in the communications industry, the suppliers of many of these products and services have been consolidating. In the event it were to become necessary to seek alternative suppliers and vendors, we may be unable to obtain satisfactory replacement supplies, services, or utilities on economically-attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

Risks Related to Liquidity, Financial Resources and Capitalization

We currently have a significant amount of indebtedness, including secured indebtedness, and are contractually permitted to incur substantial additional indebtedness and grant substantial additional liens in the future. Such debt and debt service obligations may adversely affect us.

We have a significant amount of indebtedness, which amounted to $17.4 billion outstanding at December 31, 2018, of which $5.4 billion was secured. We also have access to a $850 million secured Revolving Credit Facility, of which $275 million was drawn as of December 31, 2018.

We may also be able to incur substantial additional indebtedness in the future. Although the terms of the indentures governing our second lien secured notes (the second lien notes) and senior unsecured notes (the senior notes and, together with the second lien notes, the notes) and the terms of our credit facilities restrict our and our restricted subsidiaries' ability to incur additional indebtedness and liens, such restrictions are subject to several exceptions and qualifications, and the indebtedness and/or liens incurred in compliance with such restrictions may be substantial. In addition, these terms do not prevent us or our restricted subsidiaries from incurring various types of obligations that do not constitute "indebtedness" under these terms. To the extent other new debt is added to our and our subsidiaries' current debt levels, the substantial leverage risks described below would increase.

The potential significant negative consequences on our financial condition and results of operations that could result from our substantial debt include:

- limitations on our ability to obtain additional debt or equity financing on favorable terms or at all;
- instances in which we are unable to comply with the covenants contained in our indentures and credit agreements or to generate cash sufficient to make required debt payments, which circumstances have the potential of accelerating the maturity of some or all of our outstanding indebtedness;
- the possibility that we may trigger the springing maturity provisions in our credit agreements;
- the allocation of a substantial portion of our cash flow from operations to service our debt, thus reducing the amount of our cash flows available for other purposes, including capital expenditures and dividends that would otherwise improve our competitive position, results of operations or stock price;
- requiring us to issue debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet payment obligations;
- compromising our flexibility to plan for, or react to, competitive challenges in our business and the telecommunications industry; and
- the possibility of our being put at a competitive disadvantage with competitors who, relative to their size, do not have as much debt as we do, and competitors who may be in a more favorable position to access additional capital resources.

In addition, our senior notes and debentures and our second lien notes are rated below "investment grade" by independent rating agencies. This has resulted in higher borrowing costs for us. These rating agencies may lower our debt ratings further, if in the rating agencies' judgment such an action is appropriate. A further lowering of a rating would likely increase our future borrowing costs and reduce our access to capital. Our negotiations with vendors, customers and business partners can be negatively impacted if they deem us a credit risk as a result of our credit rating.

The indentures and agreements governing our debt, including our senior notes and debentures, our second lien notes and our credit facilities, contain covenants that impose restrictions on us and certain of our subsidiaries that may affect our ability to operate our business, and make payments on our debt.

The indentures and agreements governing our existing indebtedness contain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to:

- incur additional indebtedness, guarantee indebtedness or issue preferred stock;
- create liens;
- make certain investments or make other restricted payments;
- enter into mergers or consolidations, or transfer or sell all or substantially all of our assets;
- pay dividends on, or make distributions in respect of, or redeem or repurchase, capital stock;
- make certain asset sales;
- enter into restrictions affecting the ability of certain of our subsidiaries to make distributions, loans or advances to us or other subsidiaries; and
- engage in transactions with affiliates.

In addition, our credit facilities require us to comply with specified covenants, including financial ratios. Any future indebtedness may also require us to comply with similar or other covenants.

These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

Frontier is primarily a holding company and, as a result, we rely on the receipt of funds from our subsidiaries in order to meet our cash needs and service our indebtedness, including our senior notes and debentures and our second lien notes.

Frontier is primarily a holding company and our principal assets consist of the shares of capital stock or other equity instruments of our subsidiaries. As a holding company, we depend on dividends, distributions and other payments from our subsidiaries to fund our obligations, including those arising under our senior notes and debentures and our second lien notes, and meet our cash needs. We cannot assure you that the operating results of our subsidiaries at any given time will be sufficient to make dividends, distributions or other payments to us in order to allow us to make payments on our indebtedness. In addition, the payment of these dividends, distributions and other payments, as well as other transfers of assets, between our subsidiaries and from our subsidiaries to us may be subject to legal, regulatory or contractual restrictions. Some state regulators have imposed, and others may consider imposing on regulated companies, including us, cash management practices that could limit the ability of such regulated companies to transfer cash between subsidiaries or to the parent company. While none of the existing state regulations materially affects our cash management, any changes to the existing regulations or imposition of new regulations or restrictions may materially adversely affect our ability to transfer cash within our consolidated companies.

Our senior notes and debentures are structurally subordinated to liabilities of our subsidiaries.

Our subsidiaries have not guaranteed our senior notes and debentures. As a result, holders of such securities will not have any claim as a creditor against our subsidiaries. Accordingly, all obligations of our subsidiaries (including any liens granted by our subsidiaries on any of their assets to secure any of our obligations) will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise. In addition, our subsidiaries may be able to incur additional debt (including secured debt), subject to the contractual limitations in our debt instruments applicable to such subsidiaries. Holders of our senior notes and debentures would be structurally subordinated to any such future debt as well.

Our senior notes and debentures are unsecured and subordinated to our secured indebtedness.

Our senior notes and debentures are unsecured and therefore are subordinated to our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. At December 31, 2018, our secured indebtedness consisted of second lien notes, obligations under the JPM Credit Agreement, the CoBank Credit Agreement, the Revolving Credit Agreement, Term Loan B and the Continuing Agreement for Standby Letters of Credit between Frontier and Deutsche Bank AG New York Branch and Bank of Tokyo – Mitsubishi UFJ, LTD, each of which is secured by the security package under the JPM Credit Agreement which includes pledges of the equity interests in certain Frontier subsidiaries and guarantees by certain Frontier subsidiaries. In the event of a bankruptcy or similar proceeding, the assets that serve as collateral for our secured indebtedness will be available to satisfy the obligations under the secured indebtedness before any payments are made on the senior notes and debentures from the proceeds of such assets. The indentures governing our senior notes and debentures permit us, subject to specified limitations, to incur a substantial amount of additional secured debt.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase.

At December 31, 2018, approximately 21% of our total debt is subject to variable rates of interest. Borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we might not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into might not fully mitigate our interest rate risk.

We may be unable to refinance our indebtedness.

We may need to refinance all or a portion of our indebtedness before maturity. We may not be able to obtain sufficient funds to enable us to repay or refinance our debt obligations, including our credit facilities, on commercially reasonable terms, or at all. Failure to repay or refinance our debt obligations on a timely basis could result in a default under the agreements governing any such debt and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, which could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

We may not have sufficient funds to repurchase our second lien notes or senior notes upon a change of control triggering event.

The terms of our secured notes and senior notes require us to make an offer to repurchase the notes upon the occurrence of a Change of Control and Ratings Decline (as defined in the indentures governing the notes) at a purchase price equal to 101% of the respective principal amounts of the notes plus accrued and unpaid interest to, but not including, the date of the purchase. It is possible that we will not have sufficient funds at the time of such a change of control triggering event to make the required repurchase of the applicable series of notes and will be required to obtain third party financing to do so. We may not be able to obtain this financing on commercially reasonable terms, or on terms acceptable to us, or at all. In addition, the occurrence of certain change of control events may constitute an event of default under the terms of our credit facilities. Such an event of default would entitle the lenders under our credit facilities to, among other things, cause all outstanding debt thereunder to become due and payable.

We expect to make contributions to our pension plan in future years, the amount of which will be impacted by volatility in asset values related to Frontier's pension plan and/or changes in pension plan assumptions.

Frontier made contributions of $150 million in 2018 and $75 million, net of the Differential payment received (see note 18), to its pension plan in 2017, and we expect to continue to make contributions in future years. Volatility in our asset values, liability calculations, or returns may impact the costs of maintaining our pension plan and our future funding requirements. Any future material contribution could have a negative impact on our liquidity by reducing cash flows.

Significant changes in discount rates, rates of return on pension assets, mortality tables and other factors could adversely affect our earnings and equity and increase our pension funding requirements.

Pension costs and obligations are determined using actual results as well as actuarial valuations that involve several assumptions. The most critical assumptions are the discount rate, the long-term expected return on assets and mortality tables. Other assumptions include salary increases, lump sum payments, and retirement age. Some of these assumptions, such as the discount rate and return on pension assets, are reflective of economic conditions and largely out of our control. Changes in the pension assumptions could adversely affect our earnings, equity and funding requirements.

We may not be able to fully utilize our net operating loss and other tax carry forwards.

As of December 31, 2018, we had federal net operating loss ("NOLs") carryforwards of approximately $2.4 billion that we may use to offset against taxable income. However, our ability to utilize these NOLs may be limited in the future.

A corporation that undergoes an "ownership change" is typically subject to limitations on its ability to utilize its pre-ownership change NOLs to offset future taxable income. In general, under the U.S. Internal Revenue Code, an ownership change occurs if the aggregate stock ownership of certain stockholders (generally 5% stockholders, applying certain look-through and aggregation rules) increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). Purchases or sales of our common stock in amounts greater than specified levels, which are generally beyond our control, could create a limitation on our ability to utilize our NOLs for tax purposes in the future. Limitations imposed on our ability to utilize NOLs could cause U.S. federal and state income taxes to be paid earlier than would be paid if such limitations were not in effect.

Furthermore, we may not be able to generate sufficient taxable income to utilize our NOLs before they expire. Under the Tax Cuts and Jobs Act (the TCJA) (i) the amount of NOLs generated in taxable years beginning after December 31, 2017 that we are permitted to deduct in any taxable year is limited to 80% of our taxable income in such year, and (ii) NOLs generated in taxable years beginning after December 31, 2017 cannot be carried back to prior taxable years. Moreover, NOLs incurred in one state may not be available to offset income earned in a different state and there may be periods during which the use of NOLs is suspended or otherwise limited for state tax purposes, which could accelerate or permanently increase state taxes owed. If any of these events occur, we may not derive some or all of the expected benefits from our NOLs.

Risks Related to Regulation and Oversight

Changes in federal or state regulations may reduce the switched access charge revenues we receive.

A portion of Frontier's total revenues ($125 million, or 1%, in 2018 and $165 million, or 2%, in 2017) are derived from switched access charges paid by other carriers for services we provide in originating intrastate and interstate long-distance traffic. Frontier expects a portion of our revenues will continue to be derived from switched access charges paid by these carriers for these services. The rates Frontier can charge for switched access are regulated by the FCC and state regulatory agencies.

In 2011, the FCC adopted the 2011 Order regarding Intercarrier Compensation, which is the payment framework that governs how carriers compensate each other for the exchange of voice traffic between carriers. However, the 2011 Order did not resolve all questions on Intercarrier Compensation. The FCC continues to consider the possibility of transitioning originating access rates in the future. We cannot predict when or how the FCC would implement any changes originating access rates, and future reductions in these revenues may directly affect our profitability and cash flows.

In April 2017, the FCC issued an order that resulted in substantial deregulation in a number of our markets for special access services where the market is determined to be competitive and the transport market nationwide. Some aspects of the 2017 Order were appealed by stakeholders. The 8th Circuit issued a decision that upheld the majority of the 2017 Order. The part of the decision that was vacated and remanded to the FCC is currently stayed allowing the FCC an opportunity to resolve it. We cannot predict the outcome of that appeal or the impact of future changes on our results or operations.

Certain states also have their own open proceedings to address reform to originating intrastate access charges, other intercarrier compensation, and state universal service funds. Although the FCC has pre-empted state jurisdiction on most access charges, many states could consider moving forward with their proceedings. We cannot predict when or how these matters will be decided or the effect on our subsidy or switched access revenues. However, future reductions in our subsidy or switched access revenues may directly affect our profitability and cash flows as those regulatory revenues do not have an equal level of associated variable expenses.

A portion of Frontier's revenues are derived from federal and state subsidies. To the extent the federal or any state government reduces such subsidies, our operating income could be materially and adversely impacted.

A portion of Frontier's total revenues ($378 million, or 4%, in 2018 and $395 million, or 4%, in 2017) are derived from federal and state subsidies for rural and high-cost support, that consists of CAF II support, Federal High Cost support, and various state subsidies. The FCC's 2011 Order changed how federal subsidies are calculated and disbursed. These changes transitioned the USF (Universal Service Fund), which supported voice services in high-cost areas, to the CAF (Connect America Fund), which supports broadband deployment in high-cost areas. Federal subsidies represented approximately 93% of subsidy revenue in 2018 and 92% in 2017, with the remainder being state subsidies.

Frontier is required to contribute to the USF and the FCC allows Frontier to recover these contributions through a USF surcharge on customers' bills. This surcharge accounted for $213 million of revenue in 2018 and $216 million in 2017.

Future reductions in these subsidies, or in our ability to recover USF contributions, could have a material adverse effect on our business or results of operations.

Frontier and our industry will likely remain highly regulated, and we could incur substantial compliance costs that could constrain our ability to compete in our target markets.

As an incumbent local exchange carrier, some of the services we offer are subject to significant regulation from federal, state and local authorities. This regulation could impact our ability to change our rates, especially on our basic voice services and our access rates, and could impose substantial compliance costs on us. In some jurisdictions, regulation may restrict our ability to expand our service offerings. In addition, changes to the regulations that govern our business may have an adverse effect on our business by reducing the allowable fees that we may charge, imposing additional compliance costs, reducing the amount of subsidies or otherwise changing the nature of our operations and the competition in our industry. At this time, it is unknown how these regulations or changes to these regulations will affect Frontier's operations or ability to compete in the future.

FCC rulemakings and state regulatory proceedings, including those relating to intercarrier compensation, universal service and broadband services, could have a substantial adverse impact on our operations.

Our Internet access offerings could become subject to additional laws and regulations as they are adopted or applied to the Internet. As the significance of the Internet expands, federal, state and local governments may pass laws and adopt rules and regulations, including those directed at privacy, or apply existing laws and regulations to the Internet (including Internet access services), and related matters are under consideration in both federal and state legislative and regulatory bodies. Although the FCC has pre-empted state jurisdiction on network neutrality and privacy, many states, including California, have considered or are moving forward with legislation on these or other Internet-related issues. Multiple states have taken executive or legislative action directed at reinstating aspects of the

FCC's 2015 Order. We cannot predict whether the outcome of expected or pending challenges to the FCC's order or subsequent state actions will prove beneficial or detrimental to our competitive position.

We are subject to the oversight of certain federal and state agencies that have in the past, and may in the future, investigate or pursue enforcement actions against us relating to consumer protection matters.

Certain federal and state agencies, including state attorneys general, monitor and exercise oversight related to consumer protection matters, including those affecting the communications industry. Such agencies have in the past, and may in the future, choose to launch an inquiry or investigation of our business practices in response to customer complaints or other publicized customer service issues or disruptions. Such inquiries or investigations could result in reputational harm, enforcement actions, litigation, fines, settlements and/or operational and financial conditions being placed on the company, any of which could materially and adversely affect our business.

Tax legislation may adversely affect our business and financial condition.

Tax laws are dynamic and continually change as new laws are passed and new interpretations of the law are issued or applied. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the TCJA. The TCJA makes broad and complex changes to the U.S. tax code and, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest, allows for the expensing of capital expenditures, and imposes limitations on the use of net operating losses arising in taxable years beginning after December 31, 2017. The reduction of the U.S. corporate tax rate results in a decreased valuation of our deferred tax asset and liabilities. The overall impact of the new federal tax law is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law. The determination of the benefit from (provision for) income taxes requires complex estimations, significant judgments and significant knowledge and experience concerning the applicable tax laws. The current assessment on the impact to deferred tax assets (liabilities) for applying the requirements of the TCJA is based on the currently available information and guidance. If in the future any element of the tax reform changes the related accounting guidance for income tax, it could affect our income tax position and we may need to adjust the benefit from (provision for) income taxes accordingly.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own property, which consists primarily of land and buildings, office and warehouse facilities, central office equipment, software, outside plant and related equipment. Outside communications plant includes aerial and underground cable, conduit, poles and wires. Central office equipment includes digital switches and peripheral equipment. As such, our properties do not provide a basis for description by character or location of principal units. All of our property is considered to be in good working condition and suitable for its intended purpose.

Our gross investment in property, by category, as of December 31, 2018, was as follows:

($ in millions)		
Land	$	230
Buildings and leasehold improvements		2,302
General support		1,616
Central office/electronic circuit equipment		8,447
Poles		1,211
Cable, fiber and wire		11,743
Conduit		1,672
Construction work in progress		436
Total	$	27,657

Item 3. Legal Proceedings

See Note 20 of the Notes to Consolidated Financial Statements included in Part IV of this report.

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

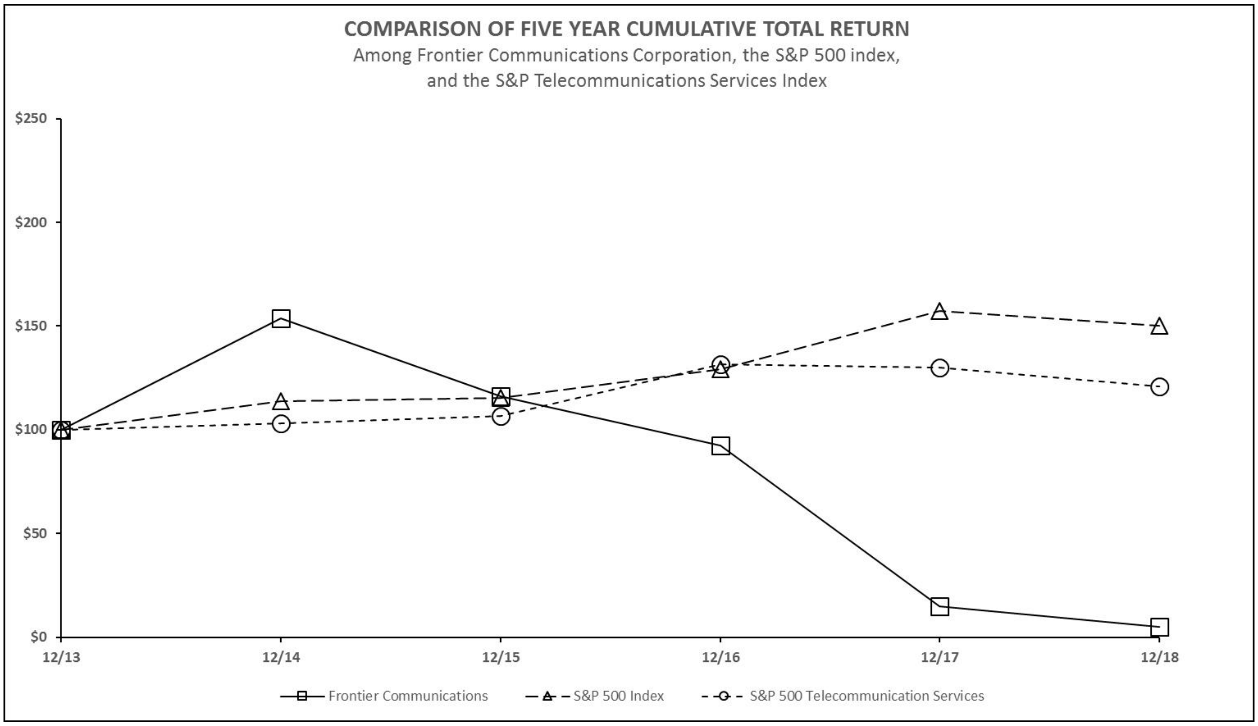
Our common stock is currently traded on the NASDAQ Global Select Market under the symbol “FTR”. Cash dividends paid to common shareholders were $0 and $266 million in 2018 and 2017, respectively. We suspended payment of quarterly cash dividends on our common stock during the first quarter of 2018.

As of February 26, 2019, the approximate number of security holders of record of our common stock was 225,076. This information was obtained from our transfer agent, Computershare Inc.

Holders of our 11.125% Mandatory Convertible Preferred Stock, Series A, par value $0.01 per share (the “Series A Preferred Stock) were entitled to receive cumulative dividends at an annual rate of 11.125% of the initial liquidation preference of $100 per share, or $11.125 per year per share, prior to the conversion of the Series A Preferred Stock to common stock on June 29, 2018. Series A Preferred Stock dividends of $107 million and $214 million were paid in 2018 and 2017, respectively.

STOCKHOLDER RETURN PERFORMANCE GRAPH

The following performance graph compares the cumulative total return of our common stock to the S&P 500 Stock Index and to the S&P Telecommunication Services Index for the five-year period commencing December 31, 2013.



The graph assumes that $100 was invested on December 31, 2013 in each of our common stock, the S&P 500 Stock Index and the S&P Telecommunication Services Index and that all dividends were reinvested.

Company / Index	Base Period 12/13	INDEXED RETURNS Years Ending 12/14	12/15	12/16	12/17	12/18
Frontier Communications Corporation	**100**	153.67	116.28	92.51	14.80	5.21
S&P 500 Index	**100**	113.69	115.26	129.05	157.23	150.33
S&P Telecommunication Services	**100**	102.99	106.49	131.50	129.86	121.08

The foregoing performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent we specifically incorporate it by reference into such filing.

RECENT SALES OF UNREGISTERED SECURITIES, USE OF PROCEEDS FROM REGISTERED SECURITIES

There were no unregistered sales of equity securities during the fourth quarter of 2018.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share
October 1, 2018 to October 31, 2018		
Employee Transactions [1]	27	$ 6.09
November 1, 2018 to November 30, 2018		
Employee Transactions [1]	26	$ 4.42
December 1, 2018 to December 31, 2018		
Employee Transactions [1]	13	$ 3.64
Totals October 1, 2018 to December 31, 2018		
Employee Transactions [1]	66	$ 4.95

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

Item 6. Selected Financial Data

The following tables present selected historical consolidated financial information of Frontier for the periods indicated. The selected historical consolidated financial information of Frontier as of and for each of the five fiscal years in the period ended December 31, 2018 has been derived from Frontier's historical consolidated financial statements. The selected historical consolidated financial information as of December 31, 2018 and 2017 and for each of the years in the three-year period ended December 31, 2018 is derived from the audited historical consolidated financial statements of Frontier included elsewhere in this Annual Report. The selected historical consolidated financial information as of December 31, 2016, 2015 and 2014 and for each of the years ended December 31, 2015 and 2014 is derived from the audited historical consolidated financial statements of Frontier not included in this Annual Report.

	Year Ended December 31, (1)				
($ in millions, except per share amounts)	2018	2017	2016	2015	2014
Revenue (9)	$ 8,611	$ 9,128	$ 8,896	$ 5,576	$ 4,772
Operating Income (loss)	$ 827	$ (1,483)	$ 911	$ 766	$ 842
Net income (loss) (2) (3) (4) (5) (6)	$ (643)	$ (1,804)	$ (373)	$ (196)	$ 133
Net income (loss) attributable to Frontier common shareholders (2) (3) (4) (5) (6)	$ (750)	$ (2,018)	$ (587)	$ (316)	$ 133
Net income (loss) attributable to Frontier common shareholders per basic and diluted share (2) (3) (4) (5) (6)	$ (8.37)	$ (25.99)	$ (7.61)	$ (4.41)	$ 1.93
Cash dividends declared (and paid) per common share	$ -	$ 3.42	$ 6.35	$ 6.31	$ 6.05
Cash dividends declared (and paid) per share of Series A Preferred Stock share	$ 5.56 (8)	$ 11.125	$ 11.125	$ 6.24 (7)	$ -

	As of December 31,				
($ in millions)	2018	2017	2016	2015	2014
Total assets	$ 23,659	$ 24,884	$ 29,013	$ 27,084	$ 18,810
Long-term debt	$ 16,358	$ 16,970	$ 17,560	$ 15,508	$ 9,393
Total shareholders' equity of Frontier	$ 1,600	$ 2,274	$ 4,519	$ 5,614	$ 3,658

(1) Operating results include activities for the CTF operations from the date of their acquisition from Verizon on April 1, 2016 and the Connecticut operations from the date of their acquisition from AT&T on October 24, 2014.

(2) Operating results include the pre-tax impacts of gains (losses) on retirement of debt of $32 million ($24 million after tax), and ($88) million ($58) million after tax) for 2018 and 2017, respectively.

(3) Operating results include pre-tax acquisition and integration costs of $25 million ($16 million after tax), $436 million ($283 million after tax), $236 million ($133 million after tax), and $142 million ($91 million after tax) for 2017, 2016, 2015, and 2014, respectively.

(4) Operating results include pre-tax restructuring costs and other charges of $35 million ($27 million after tax), $82 million ($52 million after tax), $91 million ($59 million after tax), $2 million ($1 million after tax), and $2 million ($1 million after tax) for 2018, 2017, 2016, 2015, and 2014, respectively.

(5) Operating results include pre-tax pension settlement costs of $41 million ($31 million after tax) and $83 million ($53 million after tax) for 2018 and 2017, respectively.

(6) Operating results include pre-tax goodwill impairment charges of $641 million ($568 million after tax) and $2,748 million ($2,354 million after tax) for 2018 and 2017, respectively.

(7) Represents dividends on the Series A Preferred Stock, from the issuance date of June 10, 2015 through December 31, 2015.

(8) Represents dividends on the Series A Preferred Stock, from January 1, 2018 through the conversion date of June 29, 2018.

(9) Effective January 1, 2018, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," as modified (ASC 606) using the modified retrospective method. Under this approach, prior period results were not restated to reflect the impact of ASC 606, resulting in limited comparability between 2018 and prior year results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Introduction

Overview

Frontier Communications Corporation (Frontier) is a provider of communications services in the United States, with approximately 4.5 million customers, 3.7 million broadband subscribers and 21,200 employees, operating in 29 states. We offer a broad portfolio of communications services for consumer and commercial customers. These services which include data and internet services, video services, voice services, access services, and advanced hardware and network solutions, are offered on either a standalone basis or in a bundled package, depending on each customer's needs.

On June 29, 2018, pursuant to the provisions of Frontier's Certificate of Designation governing our Series A Preferred Stock, all outstanding shares of the Series A Preferred Stock converted at a rate of 1.3333 common shares per share of preferred stock into an aggregate of 26 million shares of the Company's common stock. Frontier issued cash in lieu of fractional shares of common stock. These payments were recorded as a reduction to Additional paid-in capital. In addition, on July 2, 2018, the Company paid the final dividend of $54 million to holders of the Series A Preferred Stock. The Series A Preferred stock was issued in June 2015 when we completed a registered offering of 19.25 million preferred shares at an offering price of $100 per share.

Effective January 1, 2018, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers,” as modified (ASC 606) using the modified retrospective method. Under this approach, prior period results were not restated to reflect the impact of ASC 606, resulting in limited comparability between 2017 and 2018 operating results. The table below reflects the results for the year ended December 31, 2018 under the historical method of accounting as well as under ASC 606. The significant adjustments have been broken out and a brief explanation for each provided. See Notes to the Consolidated Financial Statements for additional details.

	For the year ended December 31, 2018					
($ in millions)	Amounts Excluding Adoption of ASC 606	Discounts and Incentives	Upfront Fees	Switched Access and USF Fees	Other	As Reported under ASC 606
Revenue:						
Data and Internet services	$ 3,775	$ 81	$ 39	$ 4	$ (21)	$ 3,878
Voice services	2,569	(32)	(5)	199	(10)	2,721
Video services	1,184	(74)	(27)	1	1	1,085
Other	351	23	(13)	124	59	544
Revenue from contracts with customers	7,879	(2)	(6)	328	29	8,228
Subsidy and other regulatory revenue	717	(5)	(1)	(328)	-	383
Total revenue	$ 8,596	$ (7)	$ (7)	$ -	$ 29	$ 8,611
Operating Expenses:						
Network access expenses	1,438	3	-	-	-	1,441
Network related expenses	1,898	-	-	-	-	1,898
Selling, general and administrative expenses	1,834	-	11	-	(30)	1,815
Depreciation and amortization	1,953	-	-	-	1	1,954
Goodwill impairment	641	-	-	-	-	641
Restructuring costs and other charges	35	-	-	-	-	35
Total operating expenses	$ 7,799	$ 3	$ 11	$ -	$ (29)	$ 7,784
Operating income (loss)	797	(10)	(18)	-	58	827
Customer Revenue:						
Consumer	4,264	24	(9)	100	1	4,380
Commercial	3,615	(26)	3	228	28	3,848
Revenue from contracts with customers	$ 7,879	$ (2)	$ (6)	$ 328	$ 29	$ 8,228
Average monthly consumer revenue per customer	$ 83.98					$ 86.26

Discounts and Incentives

When customers purchase more than one service, the amount allocable to each service under ASC 606 is determined based upon the relative stand-alone selling price of each service received. While this change results in different allocations to each of the services, it does not change total customer revenue. Customer incentives (i.e., goods and or services offered for free) are considered separate performance obligations under ASC 606 and a portion of consideration received from the customer over the contract will be allocated to them. Other customer revenue is recognized when the incentives are granted to the customer and our performance obligation is satisfied. The costs for these incentives will continue to be recognized as marketing expense and included in Network access expenses.

Upfront Fees

Under ASC 606, upfront non-refundable customer fees that provide the customer with a material right to renew must be deferred and amortized into revenue over the typical contract term. For our carrier customers, these were previously recognized as revenue when billed.

Switched Access and USF Fees

Under ASC 606, switched access revenue, which has been historically reflected in Other regulatory revenue, is considered revenue from a customer; therefore, will be reflected in commercial customer revenue on a prospective basis. Universal Service Fund Fees assessed to our customers were previously reflected in regulatory revenue. Under ASC 606, these amounts are being included in contract value and allocated to the services which have been delivered based on relative stand-alone selling price of each service.

The sections below include tables that present customer counts, average monthly consumer revenue per customer (ARPC) and consumer customer churn. We define churn as the number of consumer customer deactivations during the month divided by the number of consumer customers at the beginning of the month and utilize the average of each monthly churn in the period.

Management believes that consumer customer counts and average monthly revenue per customer are important factors in evaluating our consumer customer trends. Among the key services we provide to consumer customers are voice service, data service and video service. We continue to explore the potential to provide additional services to our customer base, with the objective of meeting all of our customers’ communications needs.

(a) Results of Operations

The following tables provide a summary of comparative analysis, by category. Because of limited comparability for historical periods, we have reflected the current period under both an ASC 606 basis as well as the historical ASC 605 basis.

2018 Compared to 2017

	As of or for the year ended		
	December 31, 2018	December 31, 2017	% Increase (Decrease)
Customers (in thousands)	4,471	4,850	(8)%
Consumer customer metrics			
Customers (in thousands)	4,060	4,397	(8)%
Net customer additions (losses)	(337)	(494)	(32)%
Average monthly consumer revenue per customer	$ 83.98 (1)	$ 80.96	4 %
Customer monthly churn	1.97%	2.17%	(9)%
Commercial customer metrics			
Customers (in thousands)	411	453	(9)%
Broadband subscriber metrics (in thousands)			
Broadband subscribers	3,735	3,938	(5)%
Net subscriber additions (losses)	(203)	(333)	(39)%
Video (excl. DISH) subscriber metrics (in thousands)			
Video subscribers (in thousands)	838	961	(13)%
Net subscriber additions (losses)	(123)	(184)	(33)%
DISH subscriber metrics (in thousands)			
DISH subscribers (in thousands)	205	235	(13)%
Net subscriber additions (losses)	(30)	(39)	(23)%
Employees	21,173	22,736	(7)%

(1) The Consumer ARPC included in the table above represents our Consumer ARPC under ASC 605. ARPC after implementing the changes for ASC 606 is $86.26 for year ended December 31, 2018.

Customer Trends and Revenue Performance

We provide service and product options in our consumer and commercial offerings in each of our markets. As of December 31, 2018, 62% of our consumer broadband customers were subscribed to at least one other service offering.

We had approximately 4.1 million and 4.4 million total consumer customers as of December 31, 2018 and 2017, respectively. Our average monthly consumer customer churn was 1.97% for the year ended December 31, 2018 compared to 2.17% for 2017. The consolidated average monthly consumer revenue per customer (consumer ARPC) increased by $3.02 or 4% to $83.98 during 2018 compared to the prior year. The overall increase in consumer ARPC is primarily a result of residential and broadband initiatives that were implemented during the fourth quarter of 2017 and the fourth quarter of 2018.

We had approximately 411,000 and 453,000 total commercial customers as of December 31, 2018 and 2017, respectively. We lost approximately 42,000 commercial customers during the year ended December 31, 2018 compared to a decrease of 49,000 customers for the prior year. Frontier expects the declines in voice services revenue and wireless backhaul revenues from commercial customers to continue in 2019. Our Ethernet product revenues from our SME (small business, medium business and larger enterprise customers) and carrier customers grew 8% compared to the prior year period.

We had approximately 3.7 million and 3.9 million broadband subscribers as of December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, we lost approximately 203,000 net broadband subscribers compared to a decrease of 333,000 for the prior year.

We offer video services to certain of our customers under the FiOS® brand in portions of California, Texas, Florida, Indiana, Oregon, and Washington, and under the Vantage brand in portions of Connecticut, North Carolina, South Carolina, Minnesota, Illinois, New York, and Ohio. We also offer satellite TV video service to our customers under an agency relationship with DISH® in all of our markets. For the year ended December 31, 2018, we lost approximately 153,000 net video subscribers across all markets. At December 31, 2018, we had 838,000 linear video subscribers that are served with FiOS or Vantage video service. In addition to our linear video subscribers, we have approximately 205,000 DISH satellite video customers.

REVENUE

	For the year ended December 31,					
	2018					
($ in millions)	As Reported under ASC 606	Impact of Adoption of ASC 606	Amounts Excluding Adoption of ASC 606	2017	$ Increase (Decrease)	% Increase (Decrease)
Data and Internet services	$ 3,878	$ (103)	$ 3,775	$ 3,862 [1]	$ (87)	(2)%
Voice services	2,721	(152)	2,569	2,864	(295)	(10)%
Video services	1,085	99	1,184	1,304	(120)	(9)%
Other	544	(193)	351	322	29	9 %
Revenue from contracts with customers	8,228	(349)	7,879	8,352 [1]	(473)	(6)%
Subsidy and other regulatory revenue	383	334	717	776	(59)	(8)%
Total revenue	$ 8,611	$ (15)	$ 8,596	$ 9,128	$ (532)	(6)%

	For the year ended December 31,					
($ in millions)	2018			2017	$ Increase (Decrease)	% Increase (Decrease)
Consumer	$ 4,380	$ (116)	$ 4,264	$ 4,476	$ (212)	(5)%
Commercial	3,848	(233)	3,615	3,876	(261)	(7)%
Revenue from contracts with customers	8,228	(349)	7,879	8,352 [1]	(473)	(6)%
Subsidy and other regulatory revenue	383	334	717	776	(59)	(8)%
Total revenue	$ 8,611	$ (15)	$ 8,596	$ 9,128	$ (532)	(6)%

(1) Includes revenue from Frontier Secure Strategic Partnerships business, which was sold in May of 2017, of $40 million for the year ended December 31, 2017.

We generate revenues primarily through either a monthly recurring fee or a fee based on usage, and revenue recognition is not dependent upon significant judgments by management, with the exception of a determination of the provision for uncollectible amounts.

The decrease of $532 million in consolidated total revenue was primarily due to decreased Voice services and Video services revenues driven by a decline in customers.

Consolidated customer revenue decreased due to decreases in consumer customer revenue and commercial customer revenues of $212 million and $261 million, respectively. The decrease in consumer customer revenue was primarily due to decreases in voice, and video services revenue. We have experienced declines in the number of traditional voice customers and switched access minutes of use as a result of competition and the availability of substitutes, a trend we expect to continue. The decrease in consolidated commercial customer revenue was primarily driven by decreases in our voice services revenue and nonswitched revenue including wireless backhaul revenue and decreased revenues related to our Frontier Secure Strategic Partnerships business which was sold in May 2017.

As part of ASC 606, switched access revenue was reclassified from Subsidy and other regulatory revenue to Other revenue on a prospective basis in 2018. Based on the accounting standard in place before adoption of ASC 606, switched access and subsidy and other regulatory revenue represented 8% of our revenues for the year ended December 31, 2018. Switched access revenue was $125 million for the year ended December 31, 2018, or 1% of our revenues, which decreased from $165 million, or 2% of our revenues, in the prior year period. The decrease was driven by reduced rates which were mandated by the 2011 Order with a related decline in operating expenses. Subsidy revenue, including CAF Phase II subsidies, was $592 million for the year ended December 31, 2018, or 7% of our revenues, which decreased from $611 million, or 7% of our revenues, in the prior year period.

We categorize our products, services, and other revenues into the following five categories:

Data and Internet services

Data and internet services include broadband services for consumer and commercial customers. We also provide data transmission services to high volume commercial customers and other carriers with dedicated high capacity circuits ("nonswitched access") including services to wireless providers ("wireless backhaul").

Consolidated data and internet services revenue for the year ended December 31, 2018 decreased $87 million as compared with 2017. Consolidated data services revenue for the year ended December 31, 2018 decreased $19 million, or 1%, as compared with 2017. Excluding the $40 million decrease caused by lost revenues attributable to the Frontier Secure Strategic Partnerships business, which was sold in May 2017, Data services revenue increased due to higher Consumer customer revenues and data equipment sales. This increase was slightly offset by lower Commercial customer revenues. Consolidated nonswitched access revenues for the year ended December 31, 2018 decreased $68 million, or 4%, as compared with 2017.

Voice services

Voice services include traditional local and long-distance wireline services, data-based Voice over Internet Protocol (VoIP) services, as well as voice messaging services offered to our consumer and commercial customers. Voice services also include the long-distance voice origination and termination services that we provide to our commercial customers and other carriers.

The decrease of $295 million in voice services revenue was primarily due to the continued loss of voice customers and decreases in long-distance revenue among those customers that do not have a bundled long-distance plan.

Video services

Video services include revenues generated from services provided directly to consumer customers through the FiOS video and Vantage video brands, and through DISH satellite TV services.

The decrease of $120 million in video services revenue was primarily due to reduced revenue resulting from a decrease in the total number of video subscribers and customer package migration.

Other

Other customer revenue includes switched access revenue and sales of Customer Premise Equipment (CPE) to our business customers and directory services. Switched access revenue includes revenues derived from allowing other carriers to use our network to originate and/or terminate their local and long-distance voice traffic ("switched access"). These services are primarily billed on a minutes-of-use basis applying tariffed rates filed with the FCC or state agencies.

As noted above, as part of our adoption of ASC 606, switched access was reclassified from switched access and subsidy revenue to other customer revenue on our consolidated statement of operations. Prior period results have not been adjusted to reflect this change.

The increase of $29 million in other revenue was primarily due to a decrease in uncollectible revenue and an increase in service installations, which was partially offset by a decrease in directory services.

Subsidy and other regulatory

Subsidy and other regulatory revenue includes revenues generated from cost subsidies from state and federal authorities, including the Connect America Fund Phase II.

As noted above, as part of our adoption of ASC 606, full year 2018 revenue of $125 million for switched access services was reclassified from switched access and subsidy revenue to other customer revenue on our consolidated statement of operations. Prior period results have not been adjusted to reflect this change. Switched access revenue decreased as a result of reduced rates mandated by the Universal Service Fund/Intercarrier Compensation Report and Order with a related decline in operating expenses. We expect that switched access revenue will continue to decline in 2019.

The decrease of $19 million in Subsidy and other regulatory revenue was primarily due to lower subsidy revenues attributable to the CAF II Program frozen support phasedown scheduled funding reductions.

2018 OPERATING EXPENSES COMPARED TO 2017

Effective January 1, 2018, Frontier adopted ASU 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” The standard requires certain benefit costs to be reclassified from operating expenses to non-operating expenses. This change in policy was applied using a retrospective approach and, accordingly, we have reclassified $2 million of net operating expenses, consisting of $1 million of Network related expenses and $1 million of Selling, general, and administrative expense, as non-operating expense for the year ended December 31, 2017. Additional pension settlement costs of $83 million for the year ended December 31, 2017, were reclassified from operating expense to non-operating expense. The following tables have been updated to reflect these reclassifications.

NETWORK ACCESS EXPENSE

	For the year ended December 31,					
	2018					
($ in millions)	As Reported under ASC 606	Impact of Adoption of ASC 606	Amounts Excluding Adoption of ASC 606	2017	$ Increase (Decrease)	% Increase (Decrease)
Network access expenses	$ 1,441	$ (3)	$ 1,438	$ 1,597	$ (159)	(10)%

Network access expenses include access charges and other third-party costs directly attributable to connecting customer locations to our network, and video content costs. Such access charges and other third-party costs exclude network related expenses, depreciation and amortization, and employee related expenses.

The decrease in network access expenses was primarily due to lower video content costs as a result of the decline in video customers, combined with lower CPE costs and lower network costs.

NETWORK RELATED EXPENSES

	For the year ended December 31,					
	2018					
($ in millions)	As Reported under ASC 606	Impact of Adoption of ASC 606	Amounts Excluding Adoption of ASC 606	2017	$ Increase (Decrease)	% Increase (Decrease)
Network related expenses	$ 1,898	$ -	$ 1,898	$ 1,958	$ (60)	(3)%

Network related expenses include expenses associated with the delivery of services to customers and the operation and maintenance of our network, such as facility rent, utilities, maintenance and other costs, as well as salaries, wages and related benefits associated with personnel who are responsible for the delivery of services, and the operation and maintenance of our network.

The decrease in network related expenses was primarily due to reduced compensation and certain benefits costs, including pension and OPEB expense (as discussed below).

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

($ in millions)	For the year ended December 31, 2018 As Reported under ASC 606	2018 Impact of Adoption of ASC 606	2018 Amounts Excluding Adoption of ASC 606	2017	$ Increase (Decrease)	% Increase (Decrease)
Selling, general, and administrative expenses	$ 1,815	$ 19	$ 1,834	$ 2,017	$ (183)	(9)%

Selling, general and administrative expenses (SG&A expenses) include the salaries, wages and related benefits and costs of corporate and sales personnel, travel, insurance, non-network related rent, advertising and other administrative expenses.

The decrease in SG&A expenses was primarily driven by decreased employee headcount, compensation costs, certain benefits costs, including pension and OPEB expense (see table below), reduced facilities costs, and lower outside services costs.

Pension and OPEB costs

Frontier allocates pension/OPEB expense, which includes only service costs, to network related expenses and SG&A expenses. Total consolidated pension and OPEB expense, excluding pension settlement costs and special termination benefits, for the years ended December 31, 2018 and 2017 were as follows:

($ in millions)	For the year ended December 31, 2018	2017
Total pension/OPEB expenses	$ 111	$ 118
Less: costs capitalized into capital expenditures	(26)	(26)
Net pension/OPEB expense	$ 85	$ 92

DEPRECIATION AND AMORTIZATION

($ in millions)	For the year ended December 31, 2018	2017	$ Increase (Decrease)	% Increase (Decrease)
Depreciation expense	$ 1,385	$ 1,485	$ (100)	(7)%
Amortization expense	569	699	(130)	(19)%
	$ 1,954	$ 2,184	$ (230)	(11)%

Depreciation and amortization expense for the year ended December 31, 2018 decreased as compared to 2017. The decrease in depreciation expense was due to lower net asset bases as compared to 2017. The decrease in amortization expense was primarily driven by the accelerated method of amortization related to customer bases acquired in 2010, 2014, and 2016.

GOODWILL IMPAIRMENT

As a result of the continued decline in the share price of our common stock in each of the final three quarters in 2018, we tested goodwill for impairment. Our third and fourth quarter quantitative assessments indicated that the carrying value of the enterprise exceeded its fair value and, therefore, an impairment existed. We recorded goodwill impairments totaling $641 million in 2018. The driver for the impairment in the third quarter was a reduction in our profitability and utilized EBITDA estimate, which when applied to our market multiple resulted in a lower enterprise valuation. During the fourth quarter, the impairment was largely driven by a lower enterprise valuation resulting from a reduction in utilized market multiple from 5.5x to 5.3x reflecting the lower outlook for our industry as a whole.

ACQUISITION AND INTEGRATION COSTS

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	For the year ended December 31,		$ Increase	% Increase
($ in millions)	2018	2017	(Decrease)	(Decrease)