

ABC Telecom							Terminal
DISCOUNTED CASH FLOW VALUATION MODEL							Forecast
	Actual Results	Forecast Year	Forecast Year	Forecast Year	Forecast Year	Forecast Year	Forecast Year
	Base Year	1	2	3	4	5	6
(\$000s) (rounded)	2010	2011	2012	2013	2014	2015	2016
Revenues	\$5,461.0	\$5,870.6	\$8,218.8	\$10,684.4	\$11,539.2	\$12,231.6	\$12,720.9
Forecasted Annual Growth Rate		7.5%	40.0%	30.0%	8.0%	6.0%	4.0%
Depreciation Expense- Existing	\$1,536.2	\$1,510.0	\$1,510.0	\$1,510.0	\$753.4	\$0.0	\$0.0
Depreciation Expense- New	\$0.0	\$700.0	\$786.5	\$883.7	\$992.9	\$1,115.6	\$1,253.5
Plant Specific Operations	\$528.0	\$1,100.0	\$1,200.0	\$1,236.0	\$1,273.1	\$1,311.3	\$1,350.6
Plant Non-Specific	\$368.5	\$650.0	\$750.0	\$772.5	\$795.7	\$819.6	\$844.2
Customer Operations	V 11.9%	\$652.1	\$698.6	\$978.0	\$1,271.4	\$1,373.2	\$1,455.6
Corporate Operations	F 3.5%	\$1,057.5	\$1,094.5	\$1,132.8	\$1,172.4	\$1,213.4	\$1,255.9
Operating Taxes	F 3.5%	\$223.9	\$231.7	\$239.8	\$248.2	\$256.9	\$265.9
Network Access	V 4.5%	\$246.3	\$264.2	\$369.8	\$480.8	\$519.3	\$550.4
Other Operating Expenses	V 3.6%	\$199.1	\$211.3	\$295.9	\$384.6	\$415.4	\$440.3
Total Operating Expenses		\$4,811.6	\$6,460.3	\$7,262.8	\$7,959.6	\$7,593.3	\$7,214.6
Operating Profit (Loss)		\$649.4	(\$589.7)	\$956.0	\$2,724.8	\$3,945.9	\$5,017.0
Other Income (Expense)	V 1.7%	\$94.4	\$99.8	\$139.7	\$181.6	\$196.2	\$207.9
Interest Expense		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Other Income (Expense), Net		\$94.4	\$99.8	\$139.7	\$181.6	\$196.2	\$207.9
Pre-Tax Profit		\$743.8	(\$489.9)	\$1,095.7	\$2,906.4	\$4,142.1	\$5,224.9
Taxes (as if C Corp.)	38.6%	\$0.0	\$189.1	(\$422.9)	(\$1,121.9)	(\$1,598.9)	(\$2,016.8)
Net Profit		\$743.8	(\$300.8)	\$672.8	\$1,784.5	\$2,543.2	\$3,208.1

ABC Telecom							Terminal
VALUE OF NET CASH FLOWS							Forecast
	Forecast Year	Forecast Year	Forecast Year	Forecast Year	Forecast Year	Forecast Year	Forecast Year
	1	2	3	4	5	6	6
	2011	2012	2013	2014	2015	2016	2016
Net Profit		(\$300.8)	\$672.8	\$1,784.5	\$2,543.2	\$3,208.1	\$3,296.9
Plus (Minus):							
Depreciation- Existing		\$1,510.0	\$1,510.0	\$1,510.0	\$753.4	\$0.0	\$0.0
Depreciation- New		\$700.0	\$786.5	\$883.7	\$992.9	\$1,115.6	\$1,253.5
Capital Expenditures		(\$7,000.0)	(\$865.2)	(\$972.1)	(\$1,092.2)	(\$1,227.2)	(\$1,378.9)
Addit.l Working Capital Needs (AR Days of Sales)	18	(\$20.2)	(\$115.8)	(\$121.6)	(\$42.2)	(\$34.1)	(\$24.1)
Equals: Net Cash Flow		(\$5,111.0)	\$1,988.3	\$3,084.5	\$3,155.1	\$3,062.4	\$3,147.4
Present Value Factor (Mid-Period) at Wtd. Cost of Capital		0.9407	0.8325	0.7367	0.6520	0.5770	
Present Value of Cash Flow at Valuation Date		(\$4,807.9)	\$1,655.3	\$2,272.4	\$2,057.1	\$1,767.0	

COMPUTATION OF VALUE (\$000s):		Final Yr. Cash Flow (Year 6)	
Total Present Value of Cash Flows, Yrs 1 to 5	\$2,943.9	Final Yr. Cash Flow (Year 6)	\$3,147.4
Plus: Present Value of Proceeds of Co Sale - End of Yr. 5	\$18,982.3	Divided by Cap Rate (See Calculation Below):	9.0%
Equals: Total Value of Invested Capital (Debt/Equity)	\$21,926.2	Equals: Terminal Value (Sale Value, End of Year 5)	\$34,971.1
Less: Interest Bearing Debt (12/31/10)(New to Fund Cap X)	(\$7,000.0)	Times: Present Value Factor at Discount Rate	0.5428
Equals: Fair Market Value of Equity	\$14,926.2	Equals: Present Value of Proceeds of Future Sale	\$18,982.3
Weighted Average Cost of Capital (Discount Rate)	13.0%	Capitalization Rate Calculation:	
		Discount Rate (Weighted Average Cost of Capital)	13.0%
		Less: Long Term Annual Growth Rate	-4.0%
		Equals: Capitalization Rate Used for Final Year	9.0%