VALOR COMMUNICATIONS GROUP INC
Form S-1/A
January 26, 2005

As filed with the Securities and Exchange Commission on January 26, 2005

Registration No. 333-114298

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 5
to

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Valor Communications Group, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**4813**	**20-0792300**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

201 E. John Carpenter Freeway, Suite 200

Irving, Texas 75062
(972) 373-1000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

WILLIAM M. OJILE, JR., ESQ.

Senior Vice President,
Chief Legal Officer & Secretary
Valor Communications Group, Inc.
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Irving, Texas 75062
(972) 373-1000
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value $0.01 per share(4)	$608,062,500	$71,570

(1) This registration statement, as originally filed, applied to income deposit securities and senior subordinated notes as well as common stock. Pursuant to Amendment No. 3, the Registrant amended this registration statement to apply solely to common stock. The offering of income deposit securities and senior subordinated notes was thereby withdrawn and no income deposit securities or senior subordinated notes are to be registered under this registration statement.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) promulgated under the Securities Act of 1933, as amended.

(3) Previously paid.

(4) Includes 4,406,250 shares of common stock subject to the underwriter s overallotment option.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus dated January 26, 2005

PROSPECTUS

29,375,000 Shares

Common Stock

This is Valor Communications Group, Inc. s initial public offering. Valor Communications Group, Inc. is selling all of the shares.

We expect the public offering price to be between $16.00 and $18.00 per share. Currently, no public market exists for the shares. We have applied for listing on the New York Stock Exchange under the symbol VCG.

Investing in the common stock involves risks that are described in the Risk Factors section beginning on page 11 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Valor Communications Group, Inc.	$	$

The underwriters may also purchase up to an additional 4,406,250 shares from the selling stockholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2005.

Merrill Lynch & Co. **Banc of America Securities LLC** **JPMorgan**

Lehman Brothers **Morgan Stanley** **Wachovia Securities**

Bear, Stearns & Co. Inc. **CIBC World Markets** **Legg Mason Wood Walker Incorporated**

Raymond James

The date of this prospectus is , 2005.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospectus may have changed since that date.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

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SUMMARY

The following is a summary of the principal features of this offering of common stock and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

Our Company

Overview

We are one of the largest providers of telecommunications services in rural communities in the southwestern United States and, based on the number of telephone lines we have in service, the seventh largest independent (non-Bell) local telephone company in the country. As of September 30, 2004, we operated approximately 548,000 telephone access lines in primarily rural areas of Texas, Oklahoma, New Mexico and Arkansas. We believe that in many of our markets we are the only service provider that offers customers an integrated package of local and long distance voice, high-speed data and Internet access, and enhanced services such as voicemail and caller identification. For the year ended December 31, 2003, we generated revenues of $497.3 million and net income of $58.2 million. In the nine months ended September 30, 2004, we generated revenues of $379.3 million and net income of $25.2 million.

We formed our company in 2000 in connection with the acquisition of select telephone assets from GTE Southwest Corporation, which is now part of Verizon, and have since acquired the local telephone company serving Kerrville, Texas. The rural telephone businesses that we own have been operating in the markets we serve for over 75 years. Since our inception, we have invested substantial resources to improve and expand our network infrastructure to provide high quality telecommunications services and superior customer care. This capital investment, in combination with a focused selling effort, has contributed to an increase in our revenue of $72.4 million, or 17.0%, from 2001 to 2003.

We operate our business through telephone company subsidiaries that qualify as rural local exchange carriers under the Telecommunications Act of 1996. Like many rural telephone companies, our business is characterized by stable operating results, revenue and cash flow and a relatively favorable regulatory environment, which includes support payments from the Texas and federal Universal Service Funds. In 2003, 24.1% of our revenues were attributable to such support payments.

We have historically experienced less competition than regional Bell operating companies because of the low customer density and high residential component of our customer base. Since our customer base is located in areas that are generally less densely populated than areas served by other rural telephone companies, we believe that we are more insulated from competitive pressures than many other local telecommunications providers. We are not, however, immune to such pressures. Our access line count decreased by approximately 8,800 lines, or 1.6%, during the nine months ended September 30, 2004, and, excluding the number of access lines we gained in the Kerrville acquisition, we experienced access line loss in each of the past two fiscal years.

We currently have a substantial amount of indebtedness. Following the consummation of this offering, we will have approximately $1.2 billion of outstanding indebtedness. Historically, we used our excess cash to pay down our long-term debt. This practice led to negative working capital balances. At December 31, 2003 and at September 30, 2004, we had a negative working capital balance of approximately $46.2 million and $71.0 million, respectively. After this offering, we will use a substantial portion of our excess cash to pay dividends on our common stock rather than prepay outstanding indebtedness. In addition, at September 30, 2004, we had an accumulated deficit of $28.2 million (or $460.7 million on a pro forma basis, after giving effect to this offering and to our reorganization, debt recapitalization and issuance of senior notes, each as described below).

Our Strengths

Ability to Generate Consistent Cash Flows. We have generated strong operating cash flow in each year since our inception by growing revenues and reducing expenses. Our net cash provided from operating activities was $100.3 million in 2001, $150.4 million in 2002, $166.1 million in 2003 and $158.3 million in the twelve months ended September 30, 2004.

Leading Market Position. We maintain our position as the leading provider of telecommunications services in the markets we serve by providing reliable customer service, offering a full range of voice and data services and maintaining a strong local presence in the communities we serve.

Scalable, State-of-the-Art Network Infrastructure. Our investment of more than $350 million since our inception in 2000 to improve and expand our network infrastructure has enabled us to provide additional services to our customers, improve the overall quality of our network and position our company for future cash flow growth.

Wide Array of Integrated Services. We believe that we are the only telecommunications service provider in many of the markets we serve that can provide an integrated package of local, long distance, high-speed data and Internet access as well as a variety of enhanced services such as voicemail and caller identification.

Experienced and Proven Management Team. Our highly experienced senior management team has an average of over 20 years of experience in the local telecommunications industry, including managing the expansion of public telecommunications companies through both internal growth and integration of acquisitions.

Business Strategy

Increase Penetration of Higher Margin Services. We intend to capitalize on our ability to cross-sell higher margin enhanced voice and data services as a bundled package which we believe represents a significant opportunity for us to continue to increase our revenue per customer. Our average revenues per access line per month increased from $64.11 for the year ended December 31, 2001, to $76.30 for the nine months ended September 30, 2004.

Provide Superior Service and Customer Care. We seek to build long-term customer relationships by providing personalized customer care through three call centers, while also automating many of our customer service functions to enable our customers to interact with our company 24 hours a day, 365 days a year.

Improve Operating Efficiency and Profitability. We strive for greater efficiencies and improved profit margins by consolidating corporate functions, negotiating favorable terms with our suppliers and contractors and focusing capital expenditures on projects that exceed our internal rate of return thresholds.

Pursue Selective Strategic Acquisitions. We believe that there are opportunities to acquire telecommunications assets that are accretive and that we possess the management team, network infrastructure and labor force that can identify, acquire, integrate and successfully support significant growth through acquisitions.

Our Reorganization

All the equity interests in Valor Telecommunications, LLC, or VTC, are currently held by affiliates of Welsh, Carson, Anderson & Stowe, affiliates of Vestar Capital Partners, and affiliates of Citicorp Venture Capital, to whom we refer to collectively as our equity sponsors, our management and employees, and a group of individuals. We refer to these persons and entities collectively throughout this prospectus as our existing equity holders. VTC, together with our equity sponsors, collectively hold substantially all of the outstanding equity interests of Valor Telecommunications Southwest, LLC, or VTS. VTC also currently holds all of the outstanding equity interests of Valor Telecommunications Southwest II, LLC, or VTS II.

As discussed in Detailed Transaction Steps, immediately prior to and in connection with this offering, we will consummate a reorganization pursuant to which our existing equity holders will contribute all their equity interests in VTC and VTS to Valor Communications Group, Inc., or Valor, in exchange for 41,458,333 shares of common stock in the aggregate. Following our reorganization, Valor will exist as a holding company with no direct operations and each of VTC, VTS and VTS II will be either a direct or an indirect wholly-owned subsidiary of Valor. Valor s principal assets will consist of the direct and indirect equity interests of its subsidiaries, all of which will be pledged to the creditors under our new credit facility.

Following our reorganization, our senior management will collectively hold an aggregate of 1,920,303 shares of our common stock, of which 391,059 shares will be fully vested upon the consummation of this offering. In addition, following this offering affiliates of Welsh, Carson, Anderson & Stowe, affiliates of Vestar Capital Partners and affiliates of Citicorp Venture Capital, or CVC, will beneficially own 32.4%, 13.5% and 8.0%, respectively, of our common stock. Therefore, Welsh Carson, Vestar and CVC together will be able to exert substantial influence over our company.

New Credit Facility

On November 10, 2004, we entered into a $1.3 billion senior secured credit facility, which we refer to as our existing credit facility, with a syndicate of financial institutions. The existing credit facility is comprised of a six-year $100 million senior secured revolving credit facility and a seven-year $1.2 billion senior secured term loan. Contemporaneously, we entered into a seven-year $265.0 million senior secured second lien loan and a seven and a half year $135.0 million senior subordinated loan. We used the proceeds of the existing credit facility, the second lien loan and the subordinated loan to (i) repay all amounts owed under our previous senior credit facilities; (ii) redeem $325.5 million of 10% senior subordinated notes due 2010 held primarily by our equity sponsors, including interest accrued thereon; (iii) redeem $134.1 million of preferred interests and $16.5 million of Class C common interests held by our existing equity investors, including our equity sponsors, in VTC, (iv) redeem $8.8 million of preferred minority interests our equity investors held in VTS, and (v) pay $30.7 million in associated transaction costs. Throughout this prospectus, we refer to our entry into the existing credit facility, second lien loan and senior subordinated loan, and the repayment of our then existing indebtedness with the proceeds thereof, as our debt recapitalization.

As described in Use of Proceeds, we intend to repay in full our second lien loan and senior subordinated loan, and a portion of the indebtedness outstanding under our existing credit facility, with the proceeds of this offering. As of September 30, 2004, on a pro forma basis after giving effect to this offering, our debt recapitalization and such repayment, we would have had approximately $1.2 billion outstanding under our term loans (or $868.5 million if we issue the senior notes described below and use the proceeds thereof to repay a portion of the term loans).

Concurrently with the closing of this offering, we will amend our existing credit facility to permit us to, subject to certain conditions, pay dividends to holders of our common stock and use the proceeds from this offering in the manner set forth in Use of Proceeds. See Dividend Policy and Restrictions and Description of Certain Indebtedness New Credit Facility. The consummation of this offering is conditioned upon the completion of the amendment to our credit facility. Throughout this prospectus, we refer to our existing credit facility as so amended as the new credit facility.

Banc of America Securities LLC, a lead manager in this offering, is one of the senior lead arrangers and senior book managers and an affiliate of Banc of America Securities LLC is the administrative agent of the existing credit facility, the second lien loan and the subordinated loan. An affiliate of J.P. Morgan Securities Inc., a lead manager in this offering, is one of the senior syndication agents and Merrill Lynch, Pierce, Fenner & Smith Incorporated, a lead manager in this offering, is one of the documentation agents on the existing credit facility, the second lien loan and the subordinated loan. An affiliate of Wachovia Capital Markets, LLC, a co-manager in this offering, is a senior syndication agent on the existing credit facility and a lead arranger on the second lien loan and the senior subordinated loan. An affiliate of Banc of America Securities LLC will serve as a lender and the administrative agent of the new credit facility and Merrill Lynch, Pierce, Fenner & Smith Incorporated and an affiliate of J.P. Morgan Securities Inc. will serve as lenders and co-syndication agents of the new credit facility. CIBC World Markets Corp., a co-manager in this offering and Wachovia Bank National Association, an affiliate of Wachovia Capital

Markets, LLC, a co-manager in this offering, will serve as lenders and co-documentation agents of the new credit facility.

Senior Notes

Concurrently with or following this offering, we expect that our subsidiary Valor Telecommunications Enterprises, LLC and its direct wholly-owned subsidiary, Valor Telecommunications Enterprises Finance Corp., as co-issuers, will issue $280 million aggregate principal amount of ten year senior notes in a private offering pursuant to Rule 144A of the Securities Act of 1933. We refer to these notes throughout this prospectus as our senior notes. If we offer these senior notes, we would use the net proceeds from such issuance to repay a portion of the term loan outstanding under our existing credit facility. This offering is not contingent upon our issuance of senior notes. The senior notes will contain restrictions on our ability to pay dividends that are no more restrictive than those contained in our new credit facility.

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Our Corporate Structure After This Offering

The following chart reflects our capital structure immediately after the offering:

(1) Concurrently with this offering, we expect that Valor Telecommunications Enterprises, LLC, together with its direct, wholly-owned subsidiary, Valor Telecommunications Enterprises Finance Corp., as co-issuers, will issue $280.0 million of senior notes. Each entity shown above as a guarantor of the New Credit Facility would also guarantee the senior notes.

THE OFFERING

Shares of common stock offered by Valor Communications Group, Inc	29,375,000 shares
Shares of common stock offered by existing equity holders	4,406,250 shares if the underwriters over-allotment option is exercised in full.
Shares of common stock to be outstanding following the offering	70,833,333 shares.
Dividends	Upon completion of this offering, our board of directors will adopt a dividend policy which reflects an intention to distribute a substantial portion of the cash generated by our business in excess of operating needs, interest and principal payments on our indebtedness and capital expenditures as regular quarterly dividends to our stockholders. In accordance with our dividend policy, we currently intend to pay an initial dividend of $ per share on or about , 2005 and to continue to pay quarterly dividends at an annual rate of $1.44 per share for the year following the closing of this offering, but only if and to the extent dividends are declared by our board of directors and are permitted by applicable law and by the terms of our new credit facility. Dividend payments are not guaranteed and our board of directors may decide, in its absolute discretion, at any time and for any reason, not to pay dividends. Dividends on our common stock are not cumulative. See Dividend Policy and Restrictions. The new credit facility will generally restrict the amount of dividends we may pay to the amount of our available cash, which will be defined as Adjusted EBITDA *minus* cash interest expense, capital expenditures (if in excess of a certain amount, unless funded by permitted debt), scheduled and mandatory repayments of our indebtedness, cash taxes and certain other permitted expenses. In addition, the new credit facility will suspend our ability to pay dividends if our total leverage ratio for the most recently ended four fiscal quarter period exceeds 5.0 to 1.00. See Description of Certain Indebtedness. Dividends paid by us, to the extent paid out of our current or accumulated earnings and profits, or E&P, as computed for United States federal income tax purposes, will be taxable as dividend income. Under current law, dividend income of United States individuals is generally taxable at long-term capital gains rates. Dividends paid by us in excess of our E&P will be treated first as a non-taxable return of capital and then as gain from the sale of common stock. For a more complete description, see Material United States Federal Income Tax Considerations.
Listing	We have applied to list our shares of common stock on the New York Stock Exchange under the trading symbol VCG.

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General Information About This Prospectus

Unless we specifically state otherwise, all information in this prospectus:

- assumes an initial public offering price of $17.00 per share of common stock, which represents the mid-point of the range set forth on the cover page of this prospectus;
- assumes no exercise by the underwriters of their over-allotment option; and
- excludes 647,436 shares of common stock that remain available for issuance under our 2004 Long-Term Incentive Plan.

Risk Factors

You should carefully consider the information under the heading Risk Factors and all other information in this prospectus before investing in our common stock.

Our Corporate Information

We incorporated in Delaware in March 2004. Our principal executive offices are located at 201 E. John Carpenter Freeway, Suite 200, Irving, Texas 75062 and our telephone number is (972) 373-1000. Our website address is www.valortelecom.com. Information included or referred to on our website is not a part of this prospectus.

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Summary Consolidated Financial Information

Valor is a holding company and has no direct operations. Valor was formed for the sole purpose of reorganizing our corporate structure and consummating this offering. Valor s principal assets are the direct and indirect equity interests of its subsidiaries. As a result, we have not provided separate historical financial results for Valor and present only the historical consolidated financial results of Valor Telecommunications, LLC. The following table sets forth our summary consolidated financial information derived from our audited consolidated financial statements for each of the years ended December 31, 2001 through December 31, 2003, and our unaudited consolidated financial information for the nine months ended September 30, 2003 and 2004, as restated. See Note 20 to the consolidated financial statements and Note 12 to the condensed consolidated financial statements. The summary historical consolidated financial information as of and for the nine months ended September 30, 2003 and 2004 is unaudited, has been prepared on the same basis as the audited statements, and in the opinion of management, contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our operating results for such period and our financial condition at such date. The financial information for the nine months ended September 30, 2003 and 2004 is not necessarily indicative of the results to be expected for any other interim period or any future fiscal year.

The information in the table below is only a summary and should be read together with our audited consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 and the related notes, our unaudited condensed consolidated financial statements as of September 30, 2004 and for the nine months ended September 30, 2003 and 2004 and Management s Discussion and Analysis of Financial Condition and Results of Operations, all as included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002(1)	2003	2003	2004
	(Dollars in thousands)				
Statement of operations data:					
Operating revenues	$ 424,916	$ 479,883	$497,334	$372,450	$379,279
Operating income	103,298	159,251	182,273	136,285	136,484
Net (loss) income(2)	(53,355)	16,302	58,233	36,975	25,171
Cash flow data from continuing operations:					
Net cash provided by operating activities	$ 100,301	$ 150,383	$166,065	$132,461	$124,660
Net cash used in investing activities	(106,614)	(216,773)	(66,299)	(50,551)	(51,362)
Net cash provided by (used in) financing activities	8,117	71,015	(99,465)	(81,971)	(74,054)
Other data:					
Capital expenditures	$ 107,869	$ 89,527	$ 69,850	$ 53,239	$ 51,520
Acquisition of Kerrville Communications Corporation(3)	$	$ 128,135	$	$	$
Depreciation and amortization(4)	$ 110,843	$ 73,273	$ 81,638	$ 61,039	$ 63,993
Adjusted EBITDA(5)	$ 215,141	$ 240,595	$262,707	$194,879	$206,506
Total access lines(6)	551,599	571,308	556,745	559,686	547,925

	September 30, 2004		
	Actual	Adjustments	Pro Forma As Adjusted(7)
	(Dollars in thousands)		
Balance sheet data:			
Cash and cash equivalents	$ 641	$ 410	$ 1,051
Net property, plant and equipment	$ 757,976	$	$ 757,976
Total assets	$2,012,865	$ (71,322)	$1,941,543
Long-term debt (including current maturities)	$1,419,237	$(264,441)	$1,154,796
Redeemable preferred interests	$ 370,231	$(370,231)	$

Redeemable preferred interests of subsidiary	$ 24,336	$ (24,336)	$
Total common owners equity	$ 75,033	$ 516,553	$ 591,586

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(1) We acquired all the outstanding common stock, preferred stock and common stock equivalents of Kerrville Communications Corporation (KCC) on January 31, 2002 and have included the assets, liabilities and results of operations of KCC from that date.

(2) Net (loss) income reported on the table above is after the effect of minority interest of $(25), $13 and $254 in 2001, 2002 and 2003, respectively, and $21 and $3,171 for the nine months ended September 30, 2003 and 2004, respectively, relating to individual investors interests in our subsidiaries.

(3) Reflects the purchase price for our acquisition of KCC, net of cash acquired.

(4) In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets , effective January 1, 2002, we discontinued the amortization of goodwill. Amortization expense associated with goodwill was $53,900 for the year ended December 31, 2001.

(5) Adjusted EBITDA will be defined in our new credit facility as: (1) consolidated adjusted net income, as defined therein; *plus* (2) the following items, to the extent deducted from consolidated adjusted net income: (a) interest expense; (b) provision for income taxes; (c) depreciation and amortization; (d) certain expenses related to this offering, our recent recapitalization and the other transactions described in Use of Proceeds ; (e) other nonrecurring or unusual costs or losses incurred after the closing date of our existing credit facility, to the extent not exceeding $10.0 million; (f) unrealized losses on financial derivatives recognized in accordance with SFAS No. 133; (g) losses on sales of assets other than in the ordinary course of business; and (h) all other non-cash charges that represent an accrual for which no cash is expected to be paid in a future period; *minus* (3) the following items, to the extent any of them increases consolidated adjusted net income; (v) income tax credits; (w) interest and dividend income (other than in respect of RTFC patronage distribution); (x) gains on asset disposals not in the ordinary course; (y) unrealized gains on financial derivatives recognized in accordance with SFAS No. 133; and (z) all other non-cash income.

We consider Adjusted EBITDA an important indicator to investors in common stock because it provides information related to our ability to provide cash flows to service debt, pay dividends and fund capital expenditures. We present this discussion of Adjusted EBITDA because covenants in our new credit facility will contain ratios based on this measure. If our Adjusted EBITDA were to decline below certain levels, covenants in our new credit facility that are based on Adjusted EBITDA, including our interest coverage ratio and total leverage ratio covenants, may be violated and could cause, among other things, a default or mandatory prepayment under our new credit facility, or result in our inability to pay dividends. As such, the summary historical financial information presented above includes our historical Adjusted EBITDA. Adjusted EBITDA is not a measure in accordance with GAAP, and should not be considered a substitute for, operating income (loss), net income (loss), or any other measure of financial performance reported in accordance with GAAP. In addition, Adjusted EBITDA should not be used as a substitute for our various cash flow measures (e.g., operating, investing and financing cash flows), which are discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
	(Dollars in thousands)				
Calculation of Adjusted EBITDA:					
Net (loss) income	$ (53,355)	$ 16,302	$ 58,233	$ 36,975	$ 25,171
Adjustments:					
Income tax expense (benefit)(a)		1,649	2,478	2,193	(6,095)
Interest expense	133,156	127,365	119,185	95,300	83,384
Depreciation and amortization	110,843	73,273	81,638	61,039	63,993
Minority interest	(25)	13	254	21	3,171
Loss on interest rate hedging arrangements	14,292	12,348	2,113	2,199	122
Earnings from unconsolidated cellular partnerships		(2,757)	(3,258)	(2,687)	(1,007)
Management fees paid to equity sponsors	1,000	1,000	1,000	750	750
Other income and expense, net(b)	(3,928)	870	3,376	2,284	25,060
Loss (income) on discontinued operations	8,443	3,461	(108)		
Cumulative effect of change in accounting principle	4,715				
Impairment on investments in cellular partnerships					6,678
Non-recurring items(c)		7,071	(2,204)	(3,195)	5,279
Total adjustments	268,496	224,293	204,474	157,904	181,335
Adjusted EBITDA	$215,141	$240,595	$262,707	$194,879	$206,506