HENRY PATRICIA M
Form 4
February 22, 2013

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL	
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HENRY PATRICIA M

(Last) (First) (Middle)

680 SOUTH FOURTH STREET

(Street)

LOUISVILLE, KY 40202

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
KINDRED HEALTHCARE, INC [KND]

3. Date of Earliest Transaction (Month/Day/Year)
02/20/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President, RehabCare

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/20/2013		A		7,536 (1)	A	$ 0	52,262	D	
Common Stock	02/20/2013		F		2,284	D	$ 11.44	49,978	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HENRY PATRICIA M 680 SOUTH FOURTH STREET LOUISVILLE, KY 40202			President, RehabCare	

Signatures

Patricia M. Henry	02/22/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These shares represent common stock granted to the reporting person in satisfaction of vested Performance Units.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. employees in the form of incentive stock options, non-qualified stock options, SARs, restricted stock, performance shares or other stock-based awards. As discussed under

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FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

the Non-Employee Directors' Compensation Plans below, prior to May 25, 2006 non-employee directors received an award of stock options under the 2000 EIP upon commencement of service.

At December 31, 2015, there were 20,000,000 shares authorized for grant under the 2013 EIP and 11,998,000 shares available for grant. No awards may be granted more than 10 years after the effective date (May 8, 2013) of the 2013 EIP plan. The exercise price of stock options and SARs under the EIPs generally are equal to or greater than the fair market value of the underlying common stock on the date of grant. Stock options are not ordinarily exercisable on the date of grant but vest over a period of time (generally four years). Under the terms of the EIPs, subsequent stock dividends and stock splits have the effect of increasing the option shares outstanding, which correspondingly decrease the average exercise price of outstanding options.

Performance Shares

On February 15, 2012, Frontier's Compensation Committee, in consultation with the other non-management directors of Frontier's Board of Directors and the Committee's independent executive compensation consultant, adopted the Frontier Long-Term Incentive Plan (the LTIP). LTIP awards are granted in the form of performance shares. The LTIP is currently offered under Frontier's 2009 EIP and 2013 EIP, and participants consist of senior vice presidents and above. The LTIP awards have performance, market and time-vesting conditions.

Beginning in 2012, during the first 90 days of a three-year performance period (a Measurement Period), a target number of performance shares are awarded to each LTIP participant with respect to the Measurement Period. The performance metrics under the LTIP are (1) annual targets for operating cash flow based on a goal set during the first 90 days of each year in the three-year Measurement Period and (2) an overall performance "modifier" set during the first 90 days of the Measurement Period, based on Frontier's total return to stockholders (i.e., Total Shareholder Return or TSR) relative to the Integrated Telecommunications Services Group (GICS Code 50101020) for the three-year Measurement Period. Operating cash flow performance is determined at the end of each year and the annual results will be averaged at the end of the three-year Measurement Period to determine the preliminary number of shares earned under the LTIP award. The TSR performance measure is then applied to decrease or increase payouts based on Frontier's three year relative TSR performance. LTIP awards, to the extent earned, will be paid out in the form of common stock shortly following the end of the three-year Measurement Period.

In 2012, the Compensation Committee granted approximately 979,000 performance shares under the LTIP and set the operating cash flow performance goal for the first year in the 2012-2014 Measurement Period and the TSR modifier for the three-year Measurement Period. In 2013, the Compensation Committee granted approximately 1,124,000 performance shares under the LTIP and set the operating cash flow performance goal for 2013, which applies to the first year of the 2013-2015 Measurement Period and the second year of the 2012-2014 Measurement Period. On February 17, 2014, the Compensation Committee granted approximately 1,028,000 performance shares under the LTIP and set the operating cash flow performance goal for 2014, which applies to the first year in the 2014-2016 Measurement Period, the second year of the 2013-2015 Measurement Period and the third year of the 2012-2014

Measurement Period. On February 25, 2015, the Compensation Committee granted approximately 665,000 performance shares under the LTIP and set the operating cash flow performance goal for 2015, which applies to the first year in the 2015-2017 measurement period, the second year of the 2014-2016 measurement period and the third year of the 2013-2015 measurement period. The number of shares of common stock earned at the end of each three-year Measurement Period may be more or less than the number of target performance shares granted as a result of operating cash flow and TSR performance. An executive must maintain a satisfactory performance rating during the Measurement Period and must be employed by Frontier at the end of the three-year Measurement Period in order for the award to vest. The Compensation Committee will determine the number of shares earned for each three year Measurement Period in February of the year following the end of the Measurement Period.

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Notes to Consolidated Financial Statements

The following summary presents information regarding LTIP target performance shares as of December 31, 2015 and changes during the three years then ended with regard to LTIP shares awarded under the 2009 EIP and the 2013 EIP:

	Number of Shares (in thousands)
Balance at January 1, 2013	979
LTIP target performance shares granted	1,124
LTIP target performance shares forfeited	(354)
Balance at December 31, 2013	1,749
LTIP target performance shares granted	1,037
LTIP target performance shares forfeited	(104)
Balance at December 31, 2014	2,682
LTIP target performance shares granted	738
LTIP target performance shares earned	(743)
LTIP target performance shares forfeited	(152)
Balance at December 31, 2015	2,525

For purposes of determining compensation expense, the fair value of each performance share is measured at the end of each reporting period and, therefore, will fluctuate based on the price of Frontier common stock as well as performance relative to the targets. Frontier recognized an expense of $7 million, $4 million and $1 million during 2015, 2014 and 2013, respectively, for the LTIP.

Restricted Stock

The following summary presents information regarding unvested restricted stock as of December 31, 2015 and changes during the three years then ended with regard to restricted stock under the 2009 EIP and the 2013 EIP:

	Number of Shares	Weighted Average Grant Date	Aggregate Fair Value

	(in thousands)	Fair Value	(in millions)
Balance at January 1, 2013	7,049	$ 6.08	$ 30
Restricted stock granted	3,360	$ 4.10	$ 16
Restricted stock vested	(3,097)	$ 6.78	$ 14
Restricted stock forfeited	(1,078)	$ 5.26	
Balance at December 31, 2013	6,234	$ 4.80	$ 29
Restricted stock granted	4,314	$ 4.91	$ 29
Restricted stock vested	(2,372)	$ 5.22	$ 16
Restricted stock forfeited	(369)	$ 4.55	
Balance at December 31, 2014	7,807	$ 4.75	$ 52
Restricted stock granted	2,815	$ 7.92	$ 13
Restricted stock vested	(3,215)	$ 4.89	$ 15
Restricted stock forfeited	(359)	$ 5.10	
Balance at December 31, 2015	7,048	$ 5.93	$ 33

For purposes of determining compensation expense, the fair value of each restricted stock grant is estimated based on the average of the high and low market price of a share of our common stock on the date of grant. Total remaining unrecognized compensation cost associated with unvested restricted stock awards at December 31, 2015 was $24 million and the weighted average period over which this cost is expected to be recognized is approximately 1.2 years.

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We have granted restricted stock awards to employees in the form of our common stock. None of the restricted stock awards may be sold, assigned, pledged or otherwise transferred, voluntarily or involuntarily, by the employees until the restrictions lapse, subject to limited exceptions. The restrictions are time-based. Compensation expense, recognized in "Selling, general and administrative expenses", of $20 million, $16 million and $14 million, for the years ended December 31, 2015, 2014 and 2013, respectively, has been recorded in connection with these grants.

Stock Options

The following summary presents information regarding outstanding stock options as of December 31, 2015 and changes during the year then ended with regard to options under the EIPs:

	Shares Subject to Option (in thousands)	Weighted Average Option Price Per Share	Weighted Average Remaining Life in Years	Aggregate Intrinsic Value
Balance at January 1, 2015	83	$ 13.23	0.8	$ -
Options granted	-	$ -		
Options exercised	-	$ -		
Options canceled, forfeited or lapsed	(33)	$ 12.96		
Balance at December 31, 2015	50	$ 13.40	-	$ -

The number of options exercisable at December 31, 2015, 2014 and 2013 were 50,000, 83,000 and 83,000, with a weighted average exercise price of $13.40, $13.23 and $13.23, respectively. No stock options were granted or exercised during 2015, 2014 or 2013. There is no remaining unrecognized compensation cost associated with stock options at December 31, 2015.

Non-Employee Directors' Compensation Plans

Prior to October 1, 2010, non-employee directors received stock options upon joining the Board of Directors. These options were awarded under the Directors' Equity Plan commencing May 25, 2006. Prior thereto, these options were awarded under the 2000 EIP. Options awarded to directors under the 2000 EIP are included in the above tables.

As of October 1, 2013, stock units are credited to the director’s account in an amount that is determined as follows: the total cash value of the fees payable to the director is divided by the closing prices of Frontier common stock on the grant date of the units. Prior to October 1, 2013, stock units were credited to the director’s account in an amount that was determined as follows: the total cash value of the fees payable to the director divided by 85% of the closing prices of Frontier common stock on the grant date of the units. Units are credited to the director’s account quarterly. Directors must also elect to convert the units to either common stock (convertible on a one-to-one basis) or cash upon retirement or death.

Dividends are paid on stock units held by directors at the same rate and at the same time as we pay dividends on shares of our common stock. Dividends on stock units are paid in the form of additional stock units.

The number of shares of common stock authorized for issuance under the Directors’ Equity Plan is 2,541,000, which includes 541,000 shares that were available for grant under the Deferred Fee Plan on the effective date of the Directors’ Equity Plan. In addition, if and to the extent that any “plan units” outstanding on May 25, 2006 under the Deferred Fee Plan are forfeited or if any option granted under the Deferred Fee Plan terminates, expires, or is cancelled or forfeited, without having been fully exercised, shares of common stock subject to such “plan units” or options cancelled shall become available under the Directors’ Equity Plan. At December 31, 2015, there were 477,000 shares available for grant. There were 10 directors participating in the Directors’ Plans during all or part of 2015. The total plan units earned were 334,188, 237,607 and 374,383 in 2015, 2014 and 2013, respectively. Options granted prior to the adoption of the Directors’ Equity Plan were granted under the 2000 EIP. At December 31, 2015, 40,000 options were outstanding and exercisable under the Director Plans at a weighted average exercise price of $10.37.

To the extent directors elect to receive the distribution of their stock unit account in cash, they are considered liability-based awards. To the extent directors elect to receive the distribution of their stock unit accounts in common stock, they are

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considered equity-based awards. Compensation expense for stock units that are considered equity-based awards is based on the market value of our common stock at the date of grant. Compensation expense for stock units that are considered liability-based awards is based on the market value of our common stock at the end of each period.

In connection with the Director Plans, compensation costs associated with the issuance of stock units were ($1) million, $4 million and $2 million in 2015, 2014 and 2013, respectively. Cash compensation associated with the Director Plans was $1 million in 2015, 2014 and 2013, respectively. These costs are recognized in “Selling, general and administrative expenses”.

(11) Income Taxes:

The following is a reconciliation of the provision for income taxes computed at federal statutory rates to the effective rates for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Consolidated tax provision at federal statutory rate	35.0 %	35.0 %	35.0 %
State income tax provisions, net of federal income tax benefit	8.7	1.6	(2.7)
Noncontrolling interest	-	-	(0.6)
Tax reserve adjustment	(0.3)	6.9	(1.1)
Domestic production activities deduction	-	(8.7)	-
Changes in certain deferred tax balances	0.8	(14.1)	(4.0)
IRS audit adjustments	-	-	3.2
Federal research and development credit	1.5	(3.3)	(3.2)
Non-deductible transaction costs	0.4	1.0	2.0
All other, net	(0.3)	0.3	0.4
Effective tax rate	45.8 %	18.7 %	29.0 %

Income taxes for 2015 include the impact of a $3 million benefit arising from the adjustment of deferred tax balances and a $5 million benefit from the federal research and development credit.

Income taxes for 2014 include the impact of a $23 million benefit from the reduction in deferred tax liabilities arising primarily from the inclusion of the Connecticut operations in the state unitary filings, a $14 million benefit from the domestic production activities deduction and a $5 million benefit from federal research and development credits, partially offset by the impact of a charge of $11 million resulting from an increase in tax reserves and a charge of $2 million resulting from non-deductible transaction costs.

Income taxes for 2013 reflect the impact of a $7 million net benefit resulting from the adjustment of deferred tax balances, a $5 million benefit from federal research and development credits and a $2 million benefit from the net reversal of reserves for uncertain tax positions, partially offset by the impact of a charge of $5 million resulting from the settlement of the 2010 IRS audit, and a charge of $3 million resulting from non-deductible transaction costs.

As a result of the retrospective implementation of Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, Frontier offset all deferred tax liabilities and assets, as well as any related valuation allowance, and is presenting them as a single non-current amount within Deferred income taxes in the consolidated balance sheet as of December 31, 2015 and 2014.

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Notes to Consolidated Financial Statements

The components of the net deferred income tax liability (asset) at December 31 are as follows:

($ in millions)	2015	2014
Deferred income tax liabilities:		
Property, plant and equipment basis differences	$ 2,401	$ 2,451
Intangibles	960	1,076
Other, net	15	24
	$ 3,376	$ 3,551
Deferred income tax assets:		
Pension liability	222	247
Tax operating loss carryforward	295	162
Employee benefits	262	304
Accrued expenses	50	55
Allowance for doubtful accounts	10	16
Other, net	48	39
	887	823
Less: Valuation allowance	(177)	(140)
Net deferred income tax asset	710	683
Net deferred income tax liability	$ 2,666	$ 2,868

Our federal net operating loss carryforward as of December 31, 2015 is estimated at $244 million. The federal loss carryforward will expire in 2035.

Our state tax operating loss carryforward as of December 31, 2015 is estimated at $4.1 billion. A portion of our state loss carryforward will continue to expire annually through 2035, unless otherwise used.

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The provision (benefit) for federal and state income taxes, as well as the taxes charged or credited to equity of Frontier, includes amounts both payable currently and deferred for payment in future periods as indicated below:

($ in millions)	2015	2014	2013
Income tax expense (benefit):			
Current:			
Federal	$ 8	$ 98	$ 55
State	(6)	10	-
Total Current	2	108	55
Deferred:			
Federal	(126)	(34)	13
State	(41)	(44)	(20)
Total Deferred	(167)	(78)	(7)
Total income tax expense (benefit)	(165)	30	48
Income taxes charged (credited) to equity of Frontier:			
Utilization of the benefits arising from restricted stock	-	-	2
Deferred income taxes (benefits) arising from the recognition of additional pension/OPEB liability	36	(90)	132
Total income taxes charged (credited) to equity of Frontier	36	(90)	134
Total income taxes	$ (129)	$ (60)	$ 182

U.S. GAAP requires applying a “more likely than not” threshold to the recognition and derecognition of uncertain tax positions either taken or expected to be taken in Frontier’s income tax returns. The total amount of our gross tax liability for tax positions that may not be sustained under a “more likely than not” threshold amounts to $20 million as of December 31, 2015 including interest of $1 million. The amount of our uncertain tax positions for which the statutes of limitations are expected to expire during the next twelve months and which would affect our effective tax rate is $1 million as of December 31, 2015.

Frontier's policy regarding the classification of interest and penalties is to include these amounts as a component of income tax expense. This treatment of interest and penalties is consistent with prior periods. We are subject to income tax examinations generally for the years 2012 forward for federal and 2008 forward for state filing jurisdictions. We also maintain uncertain tax positions in various state jurisdictions.

The following table sets forth the changes in Frontier's balance of unrecognized tax benefits for the years ended December 31, 2015 and 2014:

($ in millions)	2015	2014
Unrecognized tax benefits - beginning of year	$ 19	$ 9
Gross increases - current year tax positions	2	13
Gross decreases - expired statute of limitations	(2)	(3)
Unrecognized tax benefits - end of year	$ 19	$ 19

The amounts above exclude $1 million of accrued interest as of December 31, 2015 and 2014, respectively, that we have recorded and would be payable should Frontier's tax positions not be sustained.

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Notes to Consolidated Financial Statements

(12) Net Income (Loss) Per Share:

The reconciliation of the net income per share calculation for the years ended December 31, 2015, 2014 and 2013 is as follows:

($ in millions and shares in thousands, except per share amounts)	2015	2014	2013
Net income (loss) used for basic and diluted earnings per share:			
Net income (loss) attributable to Frontier common shareholders	$ (316)	$ 133	$ 113
Less: Dividends paid on unvested restricted stock awards	(3)	(3)	(3)
Total basic and diluted net income (loss) attributable to Frontier common shareholders	$ (319)	$ 130	$ 110
Basic earnings per share:			
Total weighted average shares and unvested restricted stock awards outstanding - basic	1,091,798	1,001,812	999,126
Less: Weighted average unvested restricted stock awards	(7,192)	(7,394)	(6,467)
Total weighted average shares outstanding - basic	1,084,606	994,418	992,659
Basic net income (loss) per share attributable to Frontier common shareholders	$ (0.29)	$ 0.13	$ 0.11
Diluted earnings per share:			
Total weighted average shares outstanding - basic	1,084,606	994,418	992,659
Effect of dilutive shares	-	3,744	1,338
Total weighted average shares outstanding - diluted	1,084,606	998,162	993,997
Diluted net income (loss) per share attributable to Frontier common shareholders	$ (0.29)	$ 0.13	$ 0.11

In calculating diluted net loss per share for the year ended December 31, 2015, the effect of all common stock equivalents is excluded from the computation as the effect would be antidilutive.

Stock Options

For the years ended December 31, 2015, 2014 and 2013, options to purchase 50,000, 83,000 and 83,000 shares, respectively, issuable under employee compensation plans were excluded from the computation of diluted earnings per share (EPS) for those periods because the exercise prices were greater than the average market price of our common stock and, therefore, the effect would be antidilutive.

Stock Units

At December 31, 2015, 2014 and 2013, we had 1,437,183, 1,102,995 and 1,238,542 stock units, respectively, issued under the Director Plans. These securities have not been included in the diluted income per share of common stock calculation because their inclusion would have an antidilutive effect.

Mandatory Convertible Preferred Stock

The impact of the common share equivalents associated with the 19,250,000 shares of Series A Preferred stock described above were not included in the calculation of diluted EPS as of December 31, 2015, as their impact was anti-dilutive.

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Notes to Consolidated Financial Statements

(13) Comprehensive Income (Loss):

Comprehensive income (loss) consists of net income (loss) and other gains and losses affecting shareholders' investment and pension/postretirement benefit (OPEB) liabilities that, under GAAP, are excluded from net income/(loss).

The components of accumulated other comprehensive loss, net of tax at December 31, 2015, 2014 and 2013, and changes for the years then ended, are as follows:

($ in millions)	Pension Costs	OPEB Costs	Deferred taxes on pension and OPEB costs	Total
Balance at January 1, 2013	$ (698)	$ (74)	$ 288	$ (484)
Other comprehensive income (loss) before reclassifications	205	67	(100)	172
Amounts reclassified from accumulated other comprehensive income (loss)	37	2	(15)	24
Recognition of net actuarial loss for pension settlement costs	44	-	(17)	27
Net current-period other comprehensive income (loss)	286	69	(132)	223
Balance at December 31, 2013	(412)	(5)	156	(261)
Other comprehensive income (loss) before reclassifications	(140)	(113)	98	(155)
Amounts reclassified from accumulated other comprehensive income (loss)	20	(1)	(7)	12
Net current-period other comprehensive income (loss)	(120)	(114)	91	(143)
Balance at December 31, 2014	(532)	(119)	247	(404)
Other comprehensive income (loss) before reclassifications	(81)	136	(24)	31
Amounts reclassified from accumulated other comprehensive income (loss)	29	3	(12)	20
Net current-period other comprehensive income (loss)	(52)	139	(36)	51
Balance at December 31, 2015	$ (584)	$ 20	$ 211	$ (353)

Explanation of Responses:

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The significant items reclassified from each component of accumulated other comprehensive loss for the years ended December 31, 2015, 2014 and 2013 are as follows:

($ in millions)	Amount Reclassified from Accumulated Other Comprehensive Loss (a)			
Details about Accumulated Other Comprehensive Loss Components	2015	2014	2013	Affected Line Item in the Statement Where Net Income (Loss) is Presented
Amortization of Pension Cost Items (b)				
Actuarial gains (losses)	(29)	(20)	(37)	
Pension settlement costs	-	-	(44)	
	(29)	(20)	(81)	Income (loss) before income taxes
Tax impact	11	7	31	Income tax (expense) benefit
	$ (18)	$ (13)	$ (50)	Net income (loss)
Amortization of OPEB Cost Items (b)				
Prior-service costs	$ 5	$ 4	$ 6	
Actuarial gains (losses)	(8)	(3)	(8)	
	(3)	1	(2)	Income (loss) before income taxes
Tax impact	1	-	1	Income tax (expense) benefit
	$ (2)	$ 1	$ (1)	Net income (loss)

(a) Amounts in parentheses indicate losses.

(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension and OPEB costs (see Note 16 - Retirement Plans for additional details).

(14) Segment Information:

We operate in one reportable segment. Frontier provides both regulated and unregulated voice, data and video services to residential, business and wholesale customers and is typically the incumbent voice services provider in its service areas.

We have utilized the aggregation criteria to combine our six operating regions because all of our regions share similar characteristics, in that they provide the same products and services to similar customers using comparable technologies in all of the states in which we operate. The regulatory structure is generally similar. Differences in the regulatory regime of a particular state do not significantly impact the economic characteristics or operating results of a particular property.

(15) Quarterly Financial Data (Unaudited):

($ in millions, except per share amounts)

2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenue	$ 1,371	$ 1,368	$ 1,424	$ 1,413	$ 5,576
Operating income	163	193	207	182	745
Net (loss) attributable to Frontier common shareholders	(51)	(28)	(81)	(156)	(316)
Basic net (loss) per share attributable to Frontier common shareholders	$ (0.05)	$ (0.03)	$ (0.07)	$ (0.14)	$ (0.29)

2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenue	$ 1,154	$ 1,147	$ 1,141	$ 1,330	$ 4,772
Operating income	226	224	197	173	820
Net income attributable to Frontier					

common shareholders	39	38	42	14	133
Basic net income per share attributable to Frontier common shareholders	$ 0.04	$ 0.04	$ 0.04	$ 0.01	$ 0.13

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The quarterly net income (loss) per share amounts are rounded to the nearest cent. Annual net income (loss) per share may vary depending on the effect of such rounding. The change in revenue, operating income, net income (loss) and net income (loss) per share during the fourth quarter of 2014 and each quarter of 2015 reflects the additional results of operations related to the Connecticut Acquisition, as described further in Note 3.

We recognized $57 million ($35 million or $0.04 per share after tax), $35 million ($23 million or $0.02 per share after tax), $58 million ($27 million or $0.02 per share after tax) and $86 million ($47 million or $0.04 per share after tax) of acquisition and integration costs during the first, second, third and fourth quarters of 2015, respectively.

We recognized $11 million ($7 million or $0.01 per share after tax), $19 million ($13 million or $0.01 per share after tax), $42 million ($27 million or $0.03 per share after tax) and $70 million ($44 million or $0.04 per share after tax) of acquisition and integration costs during the first, second, third and fourth quarters of 2014, respectively.

(16)Retirement Plans:

We sponsor a noncontributory defined benefit pension plan covering a significant number of our former and current employees and other postretirement benefit plans that provide medical, dental, life insurance and other benefits for covered retired employees and their beneficiaries and covered dependents. The benefits are based on years of service and final average pay or career average pay. Contributions are made in amounts sufficient to meet ERISA funding requirements while considering tax deductibility. Plan assets are invested in a diversified portfolio of equity and fixed-income securities and alternative investments.

The accounting results for pension and other postretirement benefit costs and obligations are dependent upon various actuarial assumptions applied in the determination of such amounts. These actuarial assumptions include the following: discount rates, expected long-term rate of return on plan assets, future compensation increases, employee turnover, healthcare cost trend rates, expected retirement age, optional form of benefit and mortality. We review these assumptions for changes annually with our independent actuaries. We consider our discount rate and expected long-term rate of return on plan assets to be our most critical assumptions.

The discount rate is used to value, on a present value basis, our pension and other postretirement benefit obligations as of the balance sheet date. The same rate is also used in the interest cost component of the pension and postretirement benefit cost determination for the following year. The measurement date used in the selection of our discount rate is the balance sheet date. Our discount rate assumption is determined annually with assistance from our independent actuaries based on the pattern of expected future benefit payments and the prevailing rates available on long-term, high quality corporate bonds that approximate the benefit obligation.

As of December 31, 2015, 2014 and 2013, we utilized an estimation technique that is based upon a settlement model (Bond:Link) that permits us to closely match cash flows to the expected payments to participants. This rate can change from year-to-year based on market conditions that affect corporate bond yields.

As a result of the technique described above, Frontier is utilizing a discount rate of 4.50% as of December 31, 2015 for its qualified pension plan, compared to rates of 4.10% and 4.90% in 2014 and 2013, respectively. The discount rate for postretirement plans as of December 31, 2015 was a range of 4.50% to 4.70% compared to a range of 4.10% to 4.20% in 2014 and 4.90% to 5.20% in 2013.

The expected long-term rate of return on plan assets is applied in the determination of periodic pension and postretirement benefit cost as a reduction in the computation of the expense. In developing the expected long-term rate of return assumption, we considered published surveys of expected market returns, 10 and 20 year actual returns of various major indices, and our own historical 5 year, 10 year and 20 year investment returns. The expected long-term rate of return on plan assets is based on an asset allocation assumption of 40% in long-duration fixed income securities, and 60% in equity securities and other investments. We review our asset allocation at least annually and make changes when considered appropriate. Our pension asset investment allocation decisions are made by the Retirement Investment & Administration Committee (RIAC), a committee comprised of members of management, pursuant to a delegation of authority by the Retirement Plan Committee of the Board of Directors. The RIAC is responsible for reporting its actions to the Retirement Plan Committee. Asset allocation decisions take into account expected market return assumptions of various asset classes as well as expected pension benefit payment streams. When analyzing anticipated benefit payments, management considers both the absolute amount of the payments as well as the timing of such payments. In 2015, 2014 and 2013, our

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expected long-term rate of return on plan assets was 7.75%, 7.75% and 8.00%, respectively. For 2016, we will assume a rate of return of 7.50%. Our pension plan assets are valued at fair value as of the measurement date. The measurement date used to determine pension and other postretirement benefit measures for the pension plan and the postretirement benefit plan is December 31.

During 2014, the Society of Actuaries released a series of updated mortality tables resulting from recent studies conducted by them measuring mortality rates for various groups of individuals. The updated mortality tables reflect improved trends in longevity and therefore have the effect of increasing the estimate of benefits to be received by plan participants. At December 31, 2014 we updated our mortality assumptions by taking into consideration the newly issued mortality tables as well as our own historical experience, which increased our pension benefit obligation by $66 million and our postretirement benefit obligation by $24 million.

Pension Benefits

The following tables set forth the pension plan's projected benefit obligations, fair values of plan assets and the pension benefit liability recognized on our consolidated balance sheets as of December 31, 2015 and 2014 and the components of total periodic pension benefit cost for the years ended December 31, 2015, 2014 and 2013:

($ in millions)	2015	2014
Change in projected benefit obligation (PBO)		
PBO at beginning of year	$ 2,210	$ 1,669
PBO for plans of the Connecticut operations at contracted discount rate	-	342
Actuarial adjustment to PBO for plans of the Connecticut operations	5	5
Service cost	55	42
Interest cost	88	80
Actuarial (gain)/loss	(88)	182
Benefits paid	(128)	(110)
PBO at end of year	$ 2,142	$ 2,210

Change in plan assets		
Fair value of plan assets at beginning of year	$ 1,673	$ 1,217
Fair value of plan assets for the Connecticut operations as of acquisition date	5	342
Actual return on plan assets	(40)	141
Employer contributions	62	83
Benefits paid	(128)	(110)
Fair value of plan assets at end of year	$ 1,572	$ 1,673
Funded status	$ (570)	$ (537)
Amounts recognized in the consolidated balance sheet		
Pension and other postretirement benefits - current	$ (9)	$ (101)
Pension and other postretirement benefits - noncurrent	$ (561)	$ (436)
Accumulated other comprehensive loss	$ 584	$ 532

In connection with the completion of the Connecticut Acquisition, certain employees were transferred to the Frontier Communications Pension Plan (the Plan) effective October 24, 2014. Assets of $5 million were transferred from the AT&T pension plan trust during 2015. Assets of $342 million, including a receivable of $34 million, were transferred into the Plan during 2014.

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($ in millions)	2015	2014	2013
Components of total periodic pension benefit cost			
Service cost	$ 55	$ 42	$ 48
Interest cost on projected benefit obligation	88	80	76
Expected return on plan assets	(129)	(99)	(95)
Amortization of unrecognized loss	29	20	37
Net periodic pension benefit cost	43	43	66
Pension settlement costs	-	-	44
Total periodic pension benefit cost	$ 43	$ 43	$ 110

The expected amortization of unrecognized loss in 2016 is $42 million, excluding the impact, if any, from the pending Verizon Transaction.

Our pension plan contains provisions that provide certain employees with the option of receiving lump sum payment upon retirement. Frontier's accounting policy is to record these payments as a settlement only if, in the aggregate, they exceed the sum of the annual service and interest costs for the plan's net periodic pension benefit cost. During 2013, lump sum pension settlement payments to terminated or retired individuals amounted to $165 million, which exceeded the settlement threshold of $125 million. As a result, Frontier was required to recognize a non-cash settlement charge of $44 million during 2013. The non-cash charge was required to accelerate the recognition of a portion of the previously unrecognized actuarial losses in the pension plan. This non-cash charge reduced our recorded net income and retained earnings, with an offset to accumulated other comprehensive loss in shareholders' equity of Frontier.

We capitalized $20 million, $15 million and $19 million of pension and OPEB expense into the cost of our capital expenditures during the years ended December 31, 2015, 2014 and 2013, respectively, as the costs relate to our engineering and plant construction activities.

The plan's weighted average asset allocations at December 31, 2015 and 2014 by asset category are as follows:

	2015	2014
Asset category:		
Equity securities	47 %	45 %
Debt securities	46 %	47 %
Alternative investments	6 %	6 %
Cash and other	1 %	2 %
Total	100 %	100 %

The plan’s expected benefit payments over the next 10 years are as follows:

($ in millions)	Amount
2016	$ 200
2017	160
2018	158
2019	157
2020	154
2021-2025	754
Total	$ 1,583

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We made total cash contributions to our pension plan of $62 million and $83 million, respectively, during 2015 and 2014. Our 2014 total contributions reflect the impact of the extension of funding relief included in the Highway and Transportation Funding Act of 2014.

During 2013, Frontier contributed four real estate properties to its qualified defined benefit pension plan. The pension plan obtained independent appraisals of the properties and, based on these appraisals, the pension plan recorded the contributions at their fair value of $23 million. Frontier has entered into leases for the contributed properties with initial terms of 15 years at a combined aggregate annual rent of approximately $2 million. The properties are managed on behalf of the pension plan by an independent fiduciary, and the terms of the leases were negotiated with the fiduciary on an arm's-length basis.

We made total contributions to our pension plan during 2013 of $62 million, consisting of cash payments of $39 million and the contribution of real property with a fair value of $23 million, as described above.

The accumulated benefit obligation for the plan was $2,048 million and $2,094 million at December 31, 2015 and 2014, respectively.

Assumptions used in the computation of annual pension costs and valuation of the year-end obligations were as follows:

	2015	2014	2013
Discount rate - used at year end to value obligation	4.50 %	4.10 %	4.90 %
Discount rate - used to compute annual cost	4.10 %	4.90 %	4.00 %
Expected long-term rate of return on plan assets	7.75 %	7.75 %	8.00 %
Rate of increase in compensation levels	2.50 %	2.50 %	2.50 %

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Postretirement Benefits Other Than Pensions—"OPEB"

The following tables set forth the OPEB plan's benefit obligations, fair values of plan assets and the postretirement benefit liability recognized on our consolidated balance sheets as of December 31, 2015 and 2014 and the components of net periodic postretirement benefit cost for the years ended December 31, 2015, 2014 and 2013.

($ in millions)	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	$ 727	$ 385
Benefit obligation for the Connecticut operations as of acquisition date	5	211
Service cost	19	11
Interest cost	30	22
Plan participants' contributions	5	5
Actuarial (gain)/loss	(115)	115
Benefits paid	(25)	(19)
Plan change	(20)	(3)
Benefit obligation at end of year	$ 626	$ 727
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ 2
Plan participants' contributions	5	5
Employer contribution	20	12
Benefits paid	(25)	(19)
Fair value of plan assets at end of year	$ -	$ -
Funded status	$ (626)	$ (727)
Amounts recognized in the consolidated balance sheet		
Pension and other postretirement benefits - current	$ (24)	$ (22)
Pension and other postretirement benefits - noncurrent	$ (602)	$ (705)
Accumulated other comprehensive (gain) loss	$ (20)	$ 119

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($ in millions)	2015	2014	2013
Components of net periodic postretirement benefit cost			
Service cost	$ 19	$ 11	$ 13
Interest cost on projected benefit obligation	30	22	17
Amortization of prior service cost /(credit)	(5)	(4)	(6)
Amortization of unrecognized loss	8	3	8
Net periodic postretirement benefit cost	$ 52	$ 32	$ 32

The expected amortization of prior service credit in 2016 is $9 million and the expected amortization of unrecognized loss in 2016 is $2 million, excluding the impact, if any, from the pending Verizon Transaction.

Assumptions used in the computation of annual OPEB costs and valuation of the year-end OPEB obligations were as follows:

	2015	2014	2013
Discount rate - used at year end to value obligation	4.50% - 4.70%	4.10% - 4.20%	4.90% - 5.20%
Discount rate - used to compute annual cost	4.10% - 4.20%	4.90% - 5.20%	4.00% - 4.20%

The OPEB plan's expected benefit payments over the next 10 years are as follows:

($ in millions)	Total

	Gross Benefit	Medicare Part D Subsidy	
2016	$ 25	$ -	$ 25
2017	29	-	29
2018	33	-	33
2019	35	-	35
2020	38	-	38
2021-2025	211	1	210
Total	$ 371	$ 1	$ 370

For purposes of measuring year-end benefit obligations, we used, depending on medical plan coverage for different retiree groups, a 7.00% annual rate of increase in the per-capita cost of covered medical benefits, gradually decreasing to 5.00% in the year 2024 and remaining at that level thereafter. The effect of a 1% increase in the assumed medical cost trend rates for each future year on the aggregate of the service and interest cost components of the total postretirement benefit cost would be $2 million and the effect on the accumulated postretirement benefit obligation for health benefits would be $18 million. The effect of a 1% decrease in the assumed medical cost trend rates for each future year on the aggregate of the service and interest cost components of the total postretirement benefit cost would be $(2) million and the effect on the accumulated postretirement benefit obligation for health benefits would be $(16) million.

The amounts in accumulated other comprehensive (gain) loss that have not yet been recognized as components of net periodic benefit cost at December 31, 2015 and 2014 are as follows:

($ in millions)	Pension Plan		OPEB	
	2015	2014	2015	2014
Net actuarial loss	$ 584	$ 532	$ 20	$ 143
Prior service cost/(credit)	-	-	(40)	(24)
Total	$ 584	$ 532	$ (20)	$ 119

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The amounts recognized as a component of accumulated other comprehensive loss for the years ended December 31, 2015 and 2014 are as follows:

($ in millions)	Pension Plan		OPEB	
	2015	2014	2015	2014
Accumulated other comprehensive loss at beginning of year	$ 532	$ 412	$ 119	$ 5
Net actuarial gain (loss) recognized during year	(29)	(20)	(8)	(3)
Prior service (cost) credit recognized during year	-	-	5	4
Net actuarial loss (gain) occurring during year	81	140	(136)	113
Net amount recognized in comprehensive income (loss) for the year	52	120	(139)	114
Accumulated other comprehensive (gain) loss at end of year	$ 584	$ 532	$ (20)	$ 119

401(k) Savings Plans

We sponsor employee retirement savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under certain plans, we provide matching contributions. Employer contributions were $28 million, $21 million and $21 million for 2015, 2014 and 2013, respectively.

(17)Fair Value of Financial Instruments:

Fair value is defined under GAAP as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value under GAAP must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

The three input levels in the hierarchy of fair value measurements are defined by the FASB generally as follows:

Input Level	Description of Input
Level 1	Observable inputs such as quoted prices in active markets for identical assets.
Level 2	Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3	Unobservable inputs in which little or no market data exists.

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The following tables represent Frontier's pension plan assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

($ in millions)	Fair Value Measurements at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 23	$ 23	$ -	$ -
U.S. Government Obligations	32	-	32	-
Corporate and Other Obligations	315	-	315	-
Common Stock	178	178	-	-
Common/Collective Trusts	894	-	894	-
Interest in Registered Investment Companies	49	49	-	-
Interest in Limited Partnerships and Limited Liability Companies	92	-	-	92
Total investments at fair value	$ 1,583	$ 250	$ 1,241	$ 92
Interest and Dividend Receivable	4			
Due from Broker for Securities Sold	21			
Receivable Associated with Insurance Contract	7			
Due to Broker for Securities Purchased	(43)			
Total Plan Assets, at Fair Value	$ 1,572			

($ in millions)	Fair Value Measurements at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 32	$ 32	$ -	$ -

U.S. Government Obligations	32	-	32	-
Corporate and Other Obligations	283	-	283	-
Common Stock	170	170	-	-
Common/Collective Trusts	959	-	959	-
Interest in Registered Investment Companies	66	66	-	-
Interest in Limited Partnerships and Limited Liability Companies	103	-	-	103
Insurance Contracts	1	-	1	-
Other	2	-	2	-
Total investments at fair value	$ 1,648	$ 268	$ 1,277	$ 103
Receivable for plan assets of the Connecticut operations	34			
Interest and Dividend Receivable	4			
Due from Broker for Securities Sold	32			
Receivable Associated with Insurance Contract	8			
Due to Broker for Securities Purchased	(53)			
Total Plan Assets, at Fair Value	$ 1,673			

There have been no reclassifications of investments between Levels 1, 2 or 3 assets during the years ended December 31, 2015 or 2014.

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The tables below set forth a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2015 and 2014:

($ in millions)	2015 Interest in Limited Partnerships and Limited Liability Companies
Balance, beginning of year	$ 103
Realized gains	8
Unrealized losses	(11)
Sales and distributions	(8)
Balance, end of year	$ 92

($ in millions)	2014 Interest in Limited Partnerships and Limited Liability Companies	Commingled Funds
Balance, beginning of year	$ 129	$ 33
Realized gains	12	5

Unrealized losses	(5)	(5)
Sales and distributions	(33)	(33)
Balance, end of year	$ 103	$ -

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The following table provides further information regarding the redemption of the Plan's Level 3 investments as of December 31, 2015:

($ in millions)

	Fair Value	Redemption Frequency	Redemption Notice Period	Liquidation Period
Interest in Limited Partnerships and Limited Liability Companies				
MS IFHF SVP LP Cayman (a)	$ 1	Through liquidation of underlying investments	None	2 years
MS IFHF SVP LP Alpha (a)	1	Through liquidation of underlying investments	None	2 years
RII World Timberfund, LLC (b)	7	Through liquidation of underlying investments	None	10 years
100 Comm Drive, LLC (c)	8	Through liquidation of underlying investments	None	NA
100 CTE Drive, LLC (c)	6	Through liquidation of underlying investments	None	NA
6430 Oakbrook Parkway, LLC (c)	24	Through liquidation of underlying investments	None	NA
8001 West Jefferson, LLC (c)	25	Through liquidation of underlying investments	None	NA
1500 MacCorkle Ave SE, LLC (c)	13	Through liquidation of underlying investments	None	NA
400 S. Pike Road West, LLC (c)	1	Through liquidation of underlying investments	None	NA
601 N US 131, LLC (c)	1	Through liquidation of underlying investments	None	NA
9260 E. Stockton Blvd., LLC (c)	5	Through liquidation of underlying investments	None	NA
Total Interest in Limited Partnerships and Limited Liability Companies	$ 92			

(a) The partnerships' investment objective is to seek capital appreciation principally through investing in investment funds managed by third party investment managers who employ a variety of alternative investment strategies.

(b) The fund's objective is to realize substantial long-term capital appreciation by investing in timberland properties primarily in South America, New Zealand and Australia.

(c) The entity invests in commercial real estate properties that are leased to Frontier. The leases are triple net, whereby Frontier is responsible for all expenses, including but not limited to, insurance, repairs and maintenance and payment of property taxes.

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The following table represents the Plan's Level 3 financial instruments for its interest in certain limited partnerships and limited liability companies, which all use the direct capitalization valuation technique to measure the fair value of those financial instruments as of December 31, 2015, and the significant unobservable inputs and ranges of values for those inputs:

Instrument	Property	Fair Value	Capitalization Rate
Interest in Limited Partnerships and Limited Liability Companies	100 Comm Drive, LLC	$ 8	7.75%
	100 CTE Drive, LLC	$ 6	9.00%
	6430 Oakbrook Parkway, LLC	$ 24	8.00%
	8001 West Jefferson, LLC	$ 25	8.50%
	1500 MacCorkle Ave SE, LLC	$ 13	8.25%
	400 S. Pike Road West, LLC	$ 1	8.75%
	601 N US 131, LLC	$ 1	9.50%
	9260 E. Stockton Blvd., LLC	$ 5	7.75%

The following table summarizes the carrying amounts and estimated fair values for long-term debt at December 31, 2015 and 2014. For the other financial instruments including cash, accounts receivable, restricted cash, long-term debt due within one year, accounts payable and other current liabilities, the carrying amounts approximate fair value due to the relatively short maturities of those instruments.

($ in millions)	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 15,508	$ 14,767	$ 9,393	$ 10,034

The fair value of our long-term debt is estimated based upon quoted market prices at the reporting date for those financial instruments.

(18) Commitments and Contingencies:

Although from time to time we make short-term purchasing commitments to vendors with respect to capital expenditures, we generally do not enter into firm, written contracts for such activities.

In June 2015, Frontier accepted the Federal Communications Commission's (FCC) offer of support to price cap carriers under the Connect America Fund (CAF) Phase II program, which is intended to provide long-term support for broadband

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in high-cost unserved or underserved areas. This provides $280 million in annual support from 2015 through 2020 to deliver 10Mbps downstream/1Mbps upstream broadband service to approximately 654,000 households across the 28 states where we operate. To the extent we do not enable the required number of households with 10 Mbps downstream/1 Mbps upstream broadband service by the end of the CAF Phase II term, we will be required to return a portion of the funds previously received. In addition, Verizon has conditionally accepted $49 million in annual support in California and Texas under the CAF Phase II program to enable broadband connections for approximately 115,000 households. Upon closing of the Verizon Transaction, Frontier will assume the obligations associated with the receipt of the CAF Phase II support in California and Texas and will also receive all of those funds.

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

In connection with the Verizon Transaction, we will incur additional operating expenses and capital expenditures in 2016 related to integration activities.

We are party to various legal proceedings (including individual, class and putative class actions) arising in the normal course of our business covering a wide range of matters and types of claims including, but not limited to, general contracts, billing disputes, rights of access, taxes and surcharges, consumer protection, trademark and patent infringement, employment, regulatory, tort, claims of competitors and disputes with other carriers.

We accrue an expense for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. Legal defense costs are expensed as incurred. None of our existing accruals for pending matters, after considering insurance coverage, is material. We monitor our pending litigation for the purpose of adjusting our accruals and revising our disclosures accordingly, when required. Litigation is, however, subject to uncertainty, and the outcome of any particular matter is not predictable. We will vigorously defend our interests in pending litigation, and as of this date, 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 consolidated financial position, results of operations, or our cash flows.

We conduct certain of our operations in leased premises and also lease certain equipment and other assets pursuant to operating leases. The lease arrangements have terms ranging from 1 to 99 years and several contain rent escalation clauses providing for increases in monthly rent at specific intervals. When rent escalation clauses exist, we record annual rental expense based on the total expected rent payments on a straight-line basis over the lease term. Certain leases also have renewal options. Renewal options that are reasonably assured are included in determining the lease term.

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Future minimum rental commitments for all long-term noncancelable operating leases as of December 31, 2015 are as follows:

($ in millions)	Operating Leases
Year ending December 31:	
2016	$ 64
2017	10
2018	8
2019	10
2020	15
Thereafter	70
Total minimum lease payments	$ 177

Total rental expense included in our consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 was $119 million, $100 million and $84 million, respectively.

We are party to contracts with several unrelated long distance carriers. The contracts provide fees based on traffic they carry for us subject to minimum monthly fees.

At December 31, 2015, the estimated future payments for obligations under our noncancelable long distance contracts and service agreements are as follows:

($ in millions)	Amount
Year ending December 31:	

2016	$	26
2017		27
2018		16
2019		3
2020		3
Thereafter		-
Total	$	75

At December 31, 2015, we have outstanding performance letters of credit as follows:

($ in millions)	Amount	
CNA Financial Corporation (CNA)	$	49
All other		1
Total	$	50

CNA serves as our agent with respect to general liability claims (auto, workers compensation and other insured perils of Frontier). As our agent, they administer all claims and make payments for claims on our behalf. We reimburse CNA for such services upon presentation of their invoice. To serve as our agent and make payments on our behalf, CNA requires that we establish a letter of credit in their favor. CNA could potentially draw against this letter of credit if we failed to reimburse CNA in accordance with the terms of our agreement. The amount of the letter of credit is reviewed annually and adjusted based on claims history.

None of the above letters of credit restrict our cash balances.