

April 21, 2022

Steven Ingram
208 S. Akard St.
18th Floor
Dallas, TX 75202

Re: Response to Comments on the 2022 Capitalization Rate Study for, Large Telecommunication

Dear Mr. Ingram:

The department would like to thank you for taking the time to review our study and for providing additional information for us to consider. We received your submission email on April 8, 2022.

The following summarizes the main areas identified for further consideration:

- Cost of Debt
 - Cost of debt
 - Capital structure

Based on the comments, and our analysis discussed below, we adjusted the cost of debt from 3.37% to 4.08%. We also slightly adjusted the capital structure to better align the capital structure with similar averaging used for other industries and to better reconcile the large study with the medium and small telecommunications study. This resulted in an adjustment of the capital structure from 57% equity and 43% debt to 55% equity and 45% debt.

Ultimately, each capitalization rate was adjusted and is summarized in the table below:

Description	Initial	Revised	Change
Yield Capitalization Rate	5.85%	6.20%	0.35%
NOI Direct Capitalization Rate	5.40%	5.30%	-0.10%
GCF Direct Capitalization Rate	9.60%	9.35%	-0.25%

A more detailed discussion on how we arrived at these conclusions follows:

Cost of Debt

First, we were able to locate a debt rating for one of the guideline companies that was missing from the initial study. We also received additional cost of debt information produced by Kroll allowing for a better break out of the cost of debt by rating for non-investment grade bonds. In arriving out our cost of debt conclusion we adjusted our weighting to better align with the guideline companies.

The table below provides the additional yield information utilized in our final study:

Rating		Corporate Bond Yields			
Moody's	S&P	MTDOR	Bloomberg	Capital IQ	Avg YTM
Aaa	AAA	2.71%			2.71%
Aa	AA	2.82%			2.82%
A	A	3.04%			3.04%
Baa	BBB	3.37%			3.37%
Ba	BB	6.36%	4.74%	4.84%	5.31%
B	B	8.22%	6.16%	9.05%	7.81%
Caa	CCC			11.68%	11.68%

The table below provides the revised cost of debt conclusion:

A	B	C	D	E	F
Ticker Symbol	Company	Industry Group	Financial Strength	Moody's Long Term Rating	Yield to Maturity
		<i>Value Line</i>	<i>Value Line</i>	<i>Moody's.com</i>	
CHTR	Charter Communic.	CABLETV	B++	Ba2	5.31%
CMCSA	Comcast Corp.	CABLETV	A+	A3	3.04%
T	AT&T Inc.	TELESERV	A	Baa2	3.37%
TMUS	T-Mobile US	TELESERV	B+	Ba1	5.31%
VZ	Verizon Communic.	TELESERV	A++	Baa1	3.37%
Average					4.08%
Median					3.37%
Trimmed Average					4.02%
High					5.31%
Low					3.04%
Selected					4.08%

And carries forward to the Yield Capitalization Rate Conclusion page as:

Description	Initial	Weighting	Revised	Weighting
A - Mergent's - Avg. YTM of A Rated Corporate Bonds	3.04%	0%	3.04%	20%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds	3.37%	100%	3.37%	40%
Ba to B - MTDOR - Avg. YTM of Ba to B Corporate Bonds	6.57%	0%		
Ba - Avg of MTDOR Study, Bloomberg and Capital IQ			5.31%	40%
B - Avg of MTDOR Study, Bloomberg and Capital IQ			7.81%	0%
Weighted Average	3.37%		4.08%	
Selected Cost of Debt	3.37%		4.08%	

Closing

Again, I would like to thank you for your comments and the additional information you provided for our consideration. I look forward to any further discussion we may have throughout the 2022 appraisal season.

Mr. Ingram
April 21, 2022
p. 3

Our final 2022 Capitalization Rate Study for Large Telecommunications can be found at:

<https://mtrevenue.gov/publications/cap-rate-studies/>

Sincerely,

A handwritten signature in black ink that reads "Doug Roehm". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Doug Roehm, Unit Manager
Centrally Assessed & Industrial Properties
Montana Department of Revenue
PO Box 7149 | Helena, MT 59604