

SETTLEMENT AGREEMENT

In connection with the transfer of certain local exchange operations of Verizon Communications Inc. (collectively "Verizon") in the states of Arizona, California Idaho, Illinois, Indiana, Michigan, North Carolina, Nevada, Ohio, Oregon, South Carolina, Washington, Wisconsin and West Virginia (the "Transaction States"), to an affiliate of Verizon directly or indirectly held by a Verizon ILEC affiliates (herein defined as Verizon Northwest, Inc. (Oregon, Washington and Idaho), Verizon West Coast Inc. (California), Verizon South, Inc. (Illinois, South Carolina and North Carolina), Verizon West Virginia, Inc. (West Virginia), Verizon North, Inc. (Illinois, Ohio, Indiana, Michigan and Wisconsin) and Contel of the South, Inc. (Indiana and Michigan)), the merger of New Communications Holdings Inc. with and into Frontier and related transactions (collectively the "Transaction") which are pending before the Federal Communications Commission and various state commissions in certain of the Transaction States (collectively the "Transaction Review Proceedings") and any necessary assignment, in whole or in part, by Verizon or a Verizon ILEC affiliate and the assumption by Frontier or a Frontier ILEC affiliate of the interconnection agreements between Verizon ILEC affiliates and Level 3 Communications, LLC or any of its affiliates ("Level 3"), Level 3 and Frontier want to resolve any issues regarding the subject interconnection agreements amicably and promptly. To that end, and in exchange for the consideration recited below, Level 3 and Frontier agree as follows:

1. Level 3 understands that Frontier only has the rights to assume certain classes of agreements of certain Verizon ILEC affiliates, and only to the extent such agreements are operative in the Transaction States. Therefore, the parties agree that such agreements (to the extent that they are operative in the Transaction States) will be governed by this settlement agreement. Level 3 hereby consents for the benefit of Frontier and Verizon to the assignment, in whole or in part, by Verizon and Verizon ILEC affiliates and assumption by Frontier and Frontier ILEC affiliates of such agreements, to the extent any such assignment may be required or necessary, and Level 3 hereby waives, to the extent required or necessary, any and all objections to the change of control of Verizon ILEC affiliates to Frontier or Frontier ILEC affiliates resulting from the consummation of the Transaction.
2. The interconnection agreements which are in place between the appropriate Verizon ILEC affiliates and Level 3 in the Transaction States and the network utilized by Level 3 and Verizon ILEC affiliates to exchange traffic pursuant to the interconnection agreements (to the extent the network arrangements are conveyed to Frontier as part of the Transaction) as of the closing of the Transaction will be extended for a for a period of 30 months from the effective date of the

Transaction. The parties will execute an amendment to the interconnection agreements to effectuate this provision.

3. To the extent there are interconnection agreements which are in place between the appropriate Frontier ILEC affiliate and Level 3 in the Transaction States and the network utilized by Level 3 and Frontier ILEC affiliate to exchange traffic pursuant to the interconnection agreements as of the closing of the Transaction will be extended for a for a period of 30 months from the effective date of the Transaction. The parties will execute an amendment to the interconnection agreements to effectuate this provision.
4. The parties agree that the agreements referenced in paragraph 3 shall be amended to include a provision substantially similar to that included in the most recent amendment to the Level 3/Citizens Telecommunications Company of West Virginia interconnection agreement in West Virginia addressing the exchange of indirect traffic between the parties. The preceding referenced agreements to which this provision shall apply shall be those in which network direct connection has been implemented as of the date of this Agreement, and the parties agree that the parties will work cooperatively to resolve any traffic threshold conditions for disconnection of existing trunks contained within said condition and if they can not reach a mutually satisfactory resolution within 10 days, the parties may initiate the Dispute Resolution procedures identified in the interconnection agreement. The substantive issue in any such Dispute Resolution Process shall be confined to the actual traffic volume and any technical barriers which may exist in respect to the disconnection of the trunks in question.
5. With respect to California, the Transaction includes ILEC operations and facilities in thirteen exchanges. Six exchanges (representing approximately 13,000 access lines) comprise the entire serving territory of Verizon West Coast, Inc. and will be transferred to Frontier as part of the Transaction. Another seven Verizon California, Inc. exchanges, serving approximately 11,000 access lines, are being transferred to Frontier as part of the Transaction. The seven Verizon California exchanges to be transferred are: (1) Adjacent to Nevada: Alpine (Alpine Co.) and Coleville (Mono Co.); (2) Adjacent to Arizona: Earp Big River, Havasu Landing, and Parker Dam (San Bernardino Co.), Blythe (Riverside Co.), and Palo Verde (Imperial Co.). With respect to California, the parties agree as follows:
 - a. The interconnection agreements which are in place between Verizon West Coast and Level 3 in California and the network utilized by Level 3 and Verizon West Coast to exchange traffic pursuant to the interconnection agreements (to the extent the network arrangements are conveyed to Frontier as part of the Transaction) as of the closing of the Transaction will be extended for a for a period of 30 months from the effective date of the Transaction.

- b. With respect to the seven Verizon California exchanges to be transferred to Frontier and to extent Level 3 is operating in these exchanges as of the effective date of the Transaction, the interconnection agreements which are in place between Verizon California and Level 3 in California and the network utilized by Level 3 and Verizon California to exchange traffic pursuant to the interconnection agreement in the seven Verizon California exchanges identified above (to the extent the network arrangements are conveyed to Frontier as part of the Transaction) as of the closing of the Transaction will be extended for a for a period of 30 months from the effective date of the Transaction.
6. The parties agree that at least one (1) year prior to the termination of the agreements referenced in paragraphs 2 and 3 preceding, they will commence negotiations for a new set of interconnection agreements.
7. In the event the parties are unable to conclude a binding interconnection agreement (or agreements) to replace the Section 251 interconnection agreements (or agreements) described in paragraph 1 by the expiration of the applicable period described in paragraphs 2 and 3, either party will have the right to seek binding arbitration to conclude a new agreement (or agreements) pursuant to the provisions of Section 252(b) of the Communications Act of 1934, as amended (the "Act").
8. In consideration of the terms described above, Level 3, for itself and its affiliates, will not file any intervention requests as regards the Transaction, and will support if requested by any Commission that Level 3 believes that Frontier has cooperated with Level 3, and that Level 3 supports the approval of the Transaction without conditions by the relevant state and federal authorities. Level 3 further agrees not to take any position or make any public or private statements with regards to the Transaction that would reasonably appear inconsistent with its support for the Transaction as described above.
9. The parties shall execute Amendments to the interconnection agreements referred to herein, to the extent necessary, to reflect the terms and conditions of this agreement, substantially in the form as attached in Exhibits A, with respect to the existing Verizon ILEC affiliate interconnection agreements and B hereto, with respect to the existing Frontier ILEC affiliate interconnection agreements. The Amendment is subject to and conditioned upon execution of this Settlement Agreement and Level 3's agreement to support the Transaction without any other conditions beyond those included in the Settlement Agreement and shall only become effective after signature executing this Settlement Agreement and the closing of the Transaction. If the Transaction does not close, this Settlement Agreement shall become null and void.
10. Each party agrees that by entering into this settlement agreement, neither party is waiving any rights under applicable agreements, or pursuant to the

Telecommunications Act of 1996 or any other applicable law or regulation, either state or federal, except as expressly provided in this settlement agreement. In addition, without limiting the foregoing, nothing in this agreement constitutes an admission by Frontier that it or any of its affiliates is or will become a Bell Operating Company as a result of the Transaction, or will be subject to any obligations pursuant to Sections 271 through 278 of the Act.

11. The parties understand that Level 3 may be negotiating new or modified terms with Verizon covering areas beyond those being transferred to Frontier in the Transaction, and the parties agree that such negotiations will not be affected by this settlement agreement, nor shall this settlement agreement be affected by such negotiations.
12. This agreement shall be governed by New York law, without regard to that state's choice of law provisions. This agreement may be executed in counterparts. It shall be effective as of the date hereof.
13. It is the intent of Frontier and Level 3 to file this Settlement Agreement with the applicable state commissions conducting Transaction Review Proceedings in which Level 3 has intervened. As part of the submission of this Settlement Agreement, Level 3 will, if requested by Frontier or any Commission, file a statement in support of the Settlement Agreement and the approval of the Transaction by the relevant state and federal authorities. In connection with the preceding referenced filing, Level 3 shall not support or advocate any additional conditions on the Transaction by the relevant state and federal authorities unless solely in defense of the terms and conditions of this Settlement Agreement as applied to Level 3.

FRONTIER COMMUNICATIONS CORPORATION

By: 

LEVEL 3 COMMUNICATIONS

By: 
Jamie Mayer
Senior Director