CONDITIONS ADVOCATED BY THE ILLINOIS COMMISSION STAFF AS MODIFIED IN SUBSEQUENT ROUNDS OF TESTIMONY BY STAFF AND FRONTIER

Condition 1

(a) Frontier North, Inc. and Frontier Communications of the Carolinas, Inc. (the "New Frontier ILECs") will be prohibited from paying dividends or otherwise transferring any Illinois jurisdictional cash balances to Frontier Communications Corporation or its affiliates through loans, advances, investment or other means that would divert [to any purpose] the New Frontier Illinois ILECs' moneys, property or other resources that is not essentially or directly connected with the provision of noncompetitive telecommunications service if the New Frontier Illinois ILECs fail to meet or exceed the standards set forth below for a majority of the following service quality standards of 83 Illinois Administrative Code Part 730, Standards of Service for Local Exchange Telecommunications Carriers:

(i) STANDARDS:

Toll & Assistance Answer Time
(Part 730.510(a)(1)(A)): 4.05 seconds

Information Answer Time
(Part 730.510(a)(1)(B)): 4.31 seconds

Repair Office Answer Time:
(Part 730.510(b)(1)): 34 seconds

Business Office Answer Time
(Part 730.510(b)(1)): 60 seconds

Installation Requests over 5 Business Days
(Part 730.540(a)): 92%

Interruptions of Service over 24 Hours
(Part 730.535(a)): 95%

Trouble Reports per 100 Lines
(Part 730.545(a)): 1.03

In the event of failure, Frontier Illinois dividend payments or otherwise transferring cash to its parent would not be allowed until the next satisfactory report or the end of this condition. Frontier may file an interim service quality report showing updated data for the trailing twelve-month period as soon as six months after an annual report. If Frontier meets a majority of the service quality standards for this trailing twelve-month period, the dividend payment and cash transfer restrictions above will be lifted. Any such interim service quality report shall include a free cash flow calculation for the twelve months ending the same date as the final month of data reflected in the interim service quality report. Additionally Frontier Illinois will provide specific plans to restore service quality levels to previous levels, and identify the incremental monies that will be invested in Illinois as a result of dividend payments and cash transfers being withheld from the parent.

(b) MEASUREMENTS: Measurements shall commence on the date that the merger closes, and recur on an annual calendar year basis.

(c) ANNUAL REPORTS: Each of the New Frontier ILECs shall file an annual report with the Chief Clerk's Office and post such annual report in this docket. The annual report will be filed by February 1 of each year for the preceding year. Within the annual report, each of the New Frontier ILECs shall list the standard set by the Commission for each service quality measure and each of the New Frontier ILECs' actual performance for each annual period. The annual report shall present the actual performance data for every month after the date that the merger closes, with the initial month of data presented being the month in which the merger closes. The annual report shall also include an Illinois jurisdictional free cash flow calculation for the twelve months ending December 31 of each year this Condition remains in effect. The Illinois jurisdictional free cash flow calculation shall be in the same format as Joint Applicants' supplemental response to ICC Staff data request RP 3.01 and include Verifications from the financial officers of the New Frontier ILECs.

(d) DURATION OF CONDITION: Condition (1) shall remain in effect until (i) at a minimum Frontier Communication Corporation's issuer credit rating meets two of the following three credit ratings: BBB from Standard & Poor's, Baa2 from Moody's Investors Service or BBB from Fitch Ratings, or (ii) five years following the closing the proposed transaction, whichever is earlier. Notwithstanding Frontier's ability to meet (d)(i) above, this Condition shall be reinstated for so long as any of the following occurs: Standard & Poor's or Fitch Ratings gives Frontier an issuer credit rating below BB or Moody's Investor Service gives Frontier an issuer credit rating below Ba2.

Condition 2:

Through a combination of available cash and availability under credit agreements with external financial institutions, Frontier Communications Corporation shall keep available exclusively for Illinois operations of Frontier North, Inc. and Frontier Communications of the Carolinas, Inc. (the "New Frontier ILECs"), an aggregate amount equal to the higher of $50 million or the currently approved capital expenditure budget for the Illinois operations of the New Frontier ILECs. Frontier Communications Corporation shall certify annually to the Commission that the required amount is available for Illinois operations of the New Frontier ILECs for the ensuing year. Therefore, on January 15 of each year, Frontier Communications Corporation shall file a notice with the Commission certifying that such amount is currently available and the amount of dollar commitment for the New Frontier ILECs' Illinois operations for that year, based on their capital expenditures budget for that year, but in no event less than $50 million. This requirement regarding the availability of funds may be satisfied with one or more Frontier Communications Corporation lines of credit that are available for other purposes provided there is aggregate backup liquidity available to the New Frontier ILECs in an aggregate amount that equals the higher of $50 million or the currently approved capital expenditure budget. The Condition will end when Condition 1 ends.

Reporting Requirement 1

Frontier North, Inc. and Frontier Communications of the Carolinas, Inc. shall file with the Chief Clerk of the Commission copies of all documents relating to the Special Payment Financing and any Spinco Securities issued pursuant to the Distribution Agreement and the Merger Agreement within 10 days after the closing of the proposed transaction. The documents shall be posted in this docket.

Reporting Requirement 2

Following the proposed reorganization, Frontier North, Inc. and Frontier Communications of the Carolinas, Inc. shall file with the Chief Clerk of the Commission and the manager of the Finance Department all credit rating reports published by Moody's Investors Service, Standard & Poor's and Fitch Ratings relating to changes in Frontier Communications Corporation's (and any of its affiliates' and subsidiaries') ratings outlooks or credit ratings within 10 days of their publication. Such reports shall be posted in this docket. This condition shall remain in effect until Frontier Communications Corporation's issuer credit rating meets two of the following three credit ratings: BBB from Standard & Poor's Baa2 from Moody's Investors Service and BBB from Fitch Ratings. Notwithstanding Frontier's ability to obtain the issuer credit ratings to remove this Reporting Requirement, this Reporting Requirement shall be reinstated for so long as any of the following occurs: Standard & Poor's or Fitch Ratings gives Frontier's issuer credit rating below BB or Moody's Investor Service gives Frontier's issuer credit rating below Ba2.

Reporting Requirement 3

Frontier North, Inc. and Frontier Communications of the Carolinas, Inc. shall file with the Chief Clerk of the Commission a statement describing the post-merger capital structure and overall cost of capital of Frontier North, Inc., Frontier Communications of the Carolinas, Inc. and Frontier Communications Corporation. The statement shall be posted in this docket.

Condition 3 (Relating to OSS Changes)

For a period of three years after the date that Frontier Communications Corporation closes this proposed transaction, before any operations support system integration between the current Verizon Illinois and Frontier Illinois territories may occur, Frontier's management must present an operations support system integration plan to the Chief Engineer of the ICC's Telecommunication's Division for review and approval, and Frontier will not proceed with any operations support system integration effort in or for its Illinois operations until it has received the written approval of the Chief Engineer of the ICC's Telecommunication's Division. Frontier's integration plan will describe the operations support system to be replaced, the surviving operations support system, and why the change is being made. The operations support system integration plan will describe any previous experience Frontier has with integrating the operations support systems in other jurisdictions, specifying any problems that occurred in that integration process and what has been done to avert those problems in Illinois. Frontier must specify the impact on personnel levels in Illinois, where the system is currently operated from and will be operated from, as well as the name of any consulting firm assisting in the operations support system integration effort. Frontier's operations support system integration plan will also contain planned actions in the event of a "worst case" scenario, such as having to restore the previous operations support system.

Condition 4 (Relating to Bookkeeping and Audit)

1. Commission Staff will be granted access to all books, accounts, records and personnel of Frontier and all of their utility and non-utility affiliated sister and subsidiary companies, as well as independent auditor's working papers, to the extent permitted by the rules and policies of the independent auditor;

2. Frontier will continue to comply with 83 Ill. Admin. Code 711, Cost Allocation Rules for Large Local Exchange Carriers; and

3. Frontier will conduct an annual internal audit to test compliance with Section 7-204(b)(2) and 7-204(b)(3). The internal audit report will be submitted to the Manager of Accounting of the Commission by April 30th of each year and associated working papers will be available to Commission Staff for review.

   The purpose of the internal audit will be to document the procedures performed and conclusions to determine that cost allocations between regulated and non-regulated activities are in compliance with Frontier's cost allocation manual filed with the Commission and that the cost allocation manual is correct and complete.

Condition 5 (Related to Wholesale Pricing)

1. Frontier will assume or take assignment of all obligations under Verizon's current interconnection agreements, interstate special access tariffs and intrastate tariffs, commercial agreements, line sharing agreements, and other existing arrangements with wholesale customers ("Assumed Agreements"). Frontier shall not terminate or change the rates, terms or conditions of any effective Assumed Agreements during the unexpired term of any Assumed Agreement or for a period of twenty-four months from the closing of the proposed transaction, whichever occurs later unless requested by the interconnecting party, or required by a change of law.

2. Frontier will allow requesting carriers to extend existing interconnection agreements, whether or not the initial or current term has expired, until at least 30 months from the closing of the proposed transaction, or the date of expiration, whichever is later. This commitment will not affect the scope of Frontier's negotiation rights where a wholesale customer seeks to terminate and renegotiate or arbitrate a new agreement.

3. Rates for tandem transit service, any special access tariffed offerings or any intrastate wholesale tariffed offering, reciprocal compensation and TELRIC 252(c)(2), and (d), rates for 251(c) facilities or arrangements shall not be increased by Frontier for at least twenty-four months from the closing of the proposed transaction; nor will Frontier create any new rate elements or charges for distinct facilities or functionalities that are currently already provided under existing rates.

Condition 6 (Related Broadband Deployment)

Frontier must bring New Communications of the Carolinas Inc. (the former Verizon South) into compliance with Section 13-517 within 24 months following the closing of the merger transaction. Frontier must also file a report with the Commission when New Communications of the Carolinas Inc. meets the 13-517 criteria, a report that would alert the Commission that Frontier has reached the goal and describe in detail how the goal was met.

Condition 7 (Related to Retail Pricing)

Frontier shall cap all regulated noncompetitive_retail rates for the former Verizon operating companies for three years from the date of closing of the proposed transaction. After three years, Frontier may propose noncompetitive retail rate increases. However, in doing so, Frontier must present a rate case in order to make any noncompetitive rate increases.