Appendix A

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Joint Application of Frontier Communications Corporation, New Communications Holdings, Inc., New Communications ILEC Holdings, Inc., New Communications of the Southwest Inc., Verizon West Coast Inc. (U 1020 C), Verizon California Inc. (U 1002 C), New Communications Online and Long Distance, Inc., Verizon Long Distance, LLC (U 5732 C) and Verizon Enterprise Solutions, LLC (U 5658 C) For Approval of the Sale of Assets, Transfer of Certificates and Customer Bases, and Issuance of Additional Certificates	A. 09-06-005

SETTLEMENT AGREEMENT

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August 20, 2009

This Settlement Agreement is entered into as of August 20, 2009, by and between Frontier Communications Corporation, ("Frontier"), New Communications Corporation, New Communications ILEC Holdings, Inc., New Communications of the Southwest Inc., Verizon West Coast Inc., Verizon California Inc., New Communications Online and Long Distance, Inc., Verizon Long Distance, LLC, and Verizon Enterprise Solutions, LLC (collectively "Verizon"), the Division of Ratepayer Advocates of the California Public Utilities Commission ("DRA") and The Utility Reform Network ("TURN") in accordance with Article 12 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure. Frontier, Verizon, DRA and TURN are sometimes referred collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, on June 4, 2009, Frontier and Verizon filed their Joint Application for approval pursuant to Public Utilities Code Sections 851- 854 of the transfer of a portion of Verizon's local exchange and long distance business in California to companies to be owned and controlled by Frontier and for additional approvals as may be necessary to complete the proposed transaction ("Transaction") in this proceeding: A. 09-06-005. ("Application").

WHEREAS, the Transaction involves property in thirteen exchanges. Six exchanges comprise the entire serving territory of Verizon West Coast (approximately 13,000 access lines), which will be transferred to Frontier in its entirety and operate as a separate legal entity upon the closing of the Transaction. Another seven California exchanges (approximately 11,000 access lines) currently operated by Verizon California, Inc. are being transferred to Frontier; these border Arizona and Nevada, and are contiguous to the Verizon California Inc. properties in those states that are also being transferred. The 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.) and will hereinafter be referred to as "Verizon California Transferred Exchanges."

WHEREAS, New Communications of the Southwest Inc., hereinafter "Frontier Communications of the Southwest" will operate the Verizon California Transferred Exchanges.

WHEREAS, on July 13, 2009 DRA and TURN filed timely Protests to the Application on various grounds.

WHEREAS, on July 23, 2009 Frontier and Verizon timely filed their Reply to the Protests of DRA and TURN.

WHEREAS, since Frontier and Verizon filed their Reply to the Protests of DRA and TURN the Parties have been discussing a possible mutually satisfactory resolution of the issues raised by the DRA and TURN Protests that would be in the public interest.

AGREEMENT

NOW, THEREFORE, based upon the mutual agreement reflected in this Settlement Agreement, Frontier, Verizon, DRA and TURN agree as follows:

1. **Basic Residential Service Rate Caps.** For one year following closing of the proposed Transaction, the basic primary residential rate for each of the Verizon California Transferred Exchanges will be capped at their current levels as of the date of the closing of this Transaction. Thereafter, the Parties agree that those exchanges will be subject to applicable Commission orders governing services for URF companies.

2. **Rates For Other Services**. For one year following closing of the proposed Transaction, the rate for the following services for the Verizon California Transferred Exchanges will be capped at their current levels as of the date of the closing of the proposed Transaction: Caller ID, Call Waiting, Single Line Business Service, Directory Assistance, Non-Published Service and Inside Wire Maintenance. Thereafter, the Parties agree that those exchanges will be subject to applicable Commission orders governing services for URF companies.

3. **Exogenous Events.** Notwithstanding the limitations included in paragraphs 1 and 2, Frontier Communications of the Southwest will be permitted to request reasonable recovery for the impact of exogenous events that materially impact the operations of the Verizon California

Transferred Exchanges, including but not limited to, orders of the Federal Communications Commission ("FCC") and this Commission. Nothing herein shall prevent a Party from opposing such a request on the grounds of reasonableness. Frontier Communications of the Southwest may apply to the Commission to modify the rates of the exchanges to which paragraph 1 and 2 are applicable. Nothing herein shall be construed to prevent any Party from taking a position with respect to the appropriate service rates, if any, which should apply to the affected exchanges, after the dates specified in paragraph 1 or 2 above.

4. **Service Quality Reporting**. For a period of twelve months after the closing of the proposed Transaction, or until December 31, 2011, whichever date is later, Citizens Telecommunications Company of California d/b/a Frontier Communications of California, with respect to existing exchanges and Frontier Communications of the Southwest with respect to the Verizon California Transferred Exchanges will file separate reports with the Commission concerning installation intervals for their respective exchanges, notwithstanding any exemption from reporting contained in General Order 133-C for URF companies.

5. This Settlement Agreement represents a compromise of the disputed positions of the Parties and is fundamentally fair, reasonable in the light of the whole record, consistent with the law, and in the public interest. Applicants, TURN and DRA disagree with respect to whether the economic benefits and allocation provisions of Public Utilities Code §854(b) and (c) apply to this Transaction. Parties agree, however, that irrespective of the disputed legal issue, Applicants have provided enough information and the transaction provides enough customer benefit to ensure it is in the public interest, consistent with the law including Section 854(b) and (c) and fair and reasonable in light of the whole record.. Nothing in this Settlement Agreement shall be interpreted as an admission or waiver of claims or positions with respect the application of Public Utilities Code §854(b) and (c).

6. The Parties will file a Joint Motion seeking Commission approval of the Settlement Agreement in its entirety and without change.

7. The Commission will have exclusive jurisdiction over any issues related to this Settlement Agreement and no other court, regulatory agency or other governing body will have jurisdiction

over any issue related to the interpretation of this Settlement Agreement, or the rights of the Parties in this Settlement Agreement, with the exception of any court that may now or in the future, by statute or otherwise, have jurisdiction to review Commission decisions.

8. This Settlement Agreement was jointly prepared by all of the Parties and any uncertainty or ambiguity existing in the document will not be interpreted against any party on the basis that such party drafted or prepared the Settlement Agreement.

9. Each of the undersigned Parties agrees to abide by the conditions set forth in this Settlement Agreement.

10. The Settlement Agreement may be executed in counterparts.

11. The parties agree that the Commission should adopt its decision in this proceeding that grants the relief sought in Section V. of the Application subject to the conditions specified in this Settlement Agreement. A Commission decision adopting this Settlement Agreement shall also close this proceeding.

12. By signing below, each signatory for a Party represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby binds such Party to the terms of this Settlement Agreement. This Settlement Agreement may be signed in counterparts.

13. This Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

14. This Settlement Agreement may be amended or changed only by a written agreement signed by both Parties and approved by the Commission.

15. The Parties agree that if the Commission fails to adopt the provisions agreed to and contained in this Settlement Agreement or modifies them, either Party may terminate this Settlement Agreement and pursue all rights which either Party may have as of the execution date of this Settlement Agreement.

Dated: August 20, 2009

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AUG 2 1 2009
COOPER, WHITE & COOPER LLP

CERTIFICATE OF SERVICE

I, Martin Spence, declare:

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. My business address is COOPER, WHITE & COOPER LLP, 201 California Street, 17th Floor, San Francisco, CA 94111.

On August 21, 2009, I served the:

JOINT MOTION FOR ADOPTION OF SETTLEMENT AGREEMENT

by sending via e-mail a true and correct copy in Adobe Acrobat PDF searchable format to the parties on the CPUC's service list for Proceeding No. A. 09-06-005.

Hard copies were mailed to Assigned ALJ Barnett and to Assigned Commissioner Peevey.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 21, 2009, at San Francisco, California.

Martin Spence

Martin Spence

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(End of Appendix A)