

**STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY**

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| JOINT APPLICATION OF FRONTIER | : | DOCKET NO. 14-01-46 |
| COMMUNICATIONS | : | |
| CORPORATION AND AT&T INC. | : | |
| FOR APPROVAL OF A CHANGE OF | : | |
| CONTROL | : | |
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| | : | AUGUST 12, 2014 |

JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

Elin Swanson Katz, Consumer Counsel for the State of Connecticut (“OCC”), George Jepsen, Attorney General for the State of Connecticut (“Attorney General”), and Frontier Communications Corporation (“Frontier”) submit this joint motion pursuant to Conn. Gen. Stat. §§ 16-47 and 16-19jj for approval by the Public Utilities Regulatory Authority (the “Authority”) of the settlement agreement filed herewith (“Settlement Agreement”). The Settlement Agreement resolves issues in this docket relating to Frontier’s proposed acquisition of the Southern New England Telephone Company (“SNET”) as described in the Joint Application of Frontier and AT&T Inc. dated January 31, 2014 (“Joint Application”). In furtherance of this joint motion, the OCC, the Attorney General and Frontier (together, the “Settling Parties”) state as follows:

1. During the course of this proceeding and following the conclusion of evidentiary hearings, the Settling Parties engaged in active settlement discussions regarding a range of issues presented in the Joint Application. The Settling Parties approached these discussions with a common purpose, which was to work constructively

toward a complete and comprehensive resolution of issues related to the proposed acquisition of SNET (the “Proposed Transaction”).

2. On August 11, 2014, the discussions among the Settling Parties culminated successfully in the execution of the Settlement Agreement, a copy of which accompanies this joint motion.

3. The Settlement Agreement, along with the evidentiary record already developed in this proceeding, provides assurance that the Authority’s approval of the Proposed Transaction will serve the public interest. The Settlement Agreement provides immediate and tangible benefits to Connecticut customers, including but not limited to (a) a thirty-six (36) month commitment to not increase rates for basic residential telephone service, and to offer broadband service at or below current prices; (b) an incremental capital investment the total amount of \$63 Million over 2015, 2016 and 2017 to improve broadband capabilities in Connecticut, including expanded data speeds to approximately 100,000 households; (c) an accelerated inspection cycle of SNET’s outside plant and annual certification of Frontier’s engineering standards and work practices, and plant maintenance; (d) commitments with respect to pole administration and pole attachments, including use of the NOTIFY electronic database, designation of a single point of contact for pole attachments, and process improvements related to applications and licenses; (e) commitments regarding performance metrics; (f) new outage reporting criteria; (g) support of a pilot project with the Department of Veterans Affairs in Connecticut to improve the adoption and utilization of the VA’s My HealthVet and Home Telehealth programs, including a \$50,000 donation per year to the VA and a reduced price broadband service to eligible low-income veterans; (h) charitable

contributions and donations in Connecticut in an aggregate amount of \$500,000 for a period of thirty six (36) months commencing in 2015, and additional charitable commitments in 2014 to the Connecticut Open Presented by United Technologies and to UConn Athletics; (i) assurance that transaction-related costs shall not be passed through or recovered from Connecticut customers; among other measures.

4. The Settling Parties agree that the Proposed Transaction as set forth in the Joint Application and the evidentiary record developed in this proceeding, and as supplemented by the terms of the Settlement Agreement, is consistent with Connecticut law and the public interest.

5. The Settlement Agreement is conditioned upon approval of its terms in full, without additional conditions or requirements, on or before October 15, 2014. The Settlement Agreement is also conditioned upon the Authority's simultaneous approval of the Proposed Transaction on or before October 15, 2014.

6. For the reasons stated above, the Settling Parties agree, subject to the terms and conditions set forth in the Settlement Agreement, that the Proposed Transaction meets the applicable criteria for approval by the Authority.

WHEREFORE, the Settling Parties respectfully request that the Authority grant this joint motion and approve the Settlement Agreement in its entirety, and approve the Proposed Transaction as consistent with Connecticut law and the public interest.

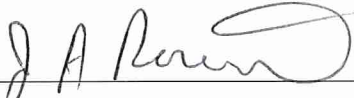
Respectfully submitted,

**GEORGE JEPSEN
ATTORNEY GENERAL OF THE
STATE OF CONNECTICUT**

By: 

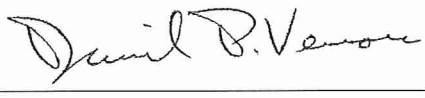
John S. Wright
Michael C. Wertheimer
Assistant Attorneys General
Attorney General's Office
10 Franklin Square
New Britain, CT 06051
Tel: (860) 827-2620
Fax: (860) 827-2893

**ELIN SWANSON KATZ
CONSUMER COUNSEL**

By: 

Joseph A. Rosenthal
Principal Attorney
Office of Consumer Counsel
Ten Franklin Square
New Britain, CT 06051
Tel: (860) 827-2906

**FRONTIER COMMUNICATIONS
CORPORATION**

By: 

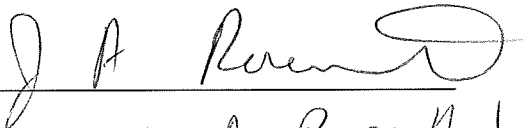
Kevin Saville
Vice President & Associate General
Counsel
Frontier Communications Corporation
2378 Wilshire Blvd.
Mound, MN 55364
Phone: (952) 491-5564
Fax: (952) 491-5577

Daniel P. Venora
Keegan Werlin LLP
100 Pearl Street, 14th Floor
Hartford, CT 06103
Phone: (860) 249-7044
Fax: (617) 951-1354

Its Attorneys

CERTIFICATE OF SERVICE

I hereby certify that on this day a copy of the foregoing was sent to the official service list in this proceeding in compliance with Conn. Agencies Regs. § 16-1-15, as amended.



Joseph A. Roseenthal
Commissioner of the Superior Court

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| | : | |
| | : | AUGUST 11, 2014 |

SETTLEMENT AGREEMENT

This Settlement Agreement is by and between Frontier Communications Corporation (“Frontier”) and George Jepsen, Attorney General of the State of Connecticut (“Attorney General”), and Elin Swanson Katz, Consumer Counsel, on behalf of the State of Connecticut, Office of Consumer Counsel (“OCC”) (collectively, the “Settling Parties”), in connection with the joint application of Frontier and AT&T Inc. dated January 31, 2014 (“Joint Application”) pending in Docket No. 14-01-46 before the Public Utilities Regulatory Authority (“PURA” or “the Authority”).

WHEREAS, Frontier and AT&T Inc. filed their Joint Application seeking approval of a proposed transaction (“Proposed Transaction”) with the Authority in which Frontier will acquire from AT&T Inc. all of the issued and outstanding capital stock of The Southern New England Telephone Company (“SNET”), and will thereby acquire control and become the holding company of SNET;

WHEREAS, Frontier and the Settling Parties subsequently engaged in discovery, hearings and negotiations concerning the Joint Application, the Proposed Transaction and the matters addressed in this Settlement Agreement;

WHEREAS, the Settling Parties have raised competing and disputed claims with regard to the various issues related to the Joint Application and Proposed Transaction, but wish to resolve those issues on mutually agreeable terms, and without establishing any precedent or principles applicable to any other proceedings; and

WHEREAS, it is the policy of the Authority, consistent with Conn. Gen. Stat. §16-19jj, to encourage the use of settlements to resolve contested cases and proceedings.

NOW THEREFORE, in consideration of the exchange of promises and covenants herein contained, the legal sufficiency of which is hereby acknowledged, the Settling Parties agree, subject to approval by the Authority, as follows:

A. Basic Residential Telephone and Broadband Service:

1. Frontier agrees to not increase the basic primary residential rate for each of the SNET transferred exchanges in effect as of Closing of the Proposed Transaction for a period of not less than thirty-six (36) months after the Closing. For purposes of this Settlement Agreement, "Closing" means the closing date of the sale and purchase of all the issued and outstanding capital stock of SNET.
2. Where available, Frontier agrees to offer its basic broadband bundle and stand-alone basic broadband product at or below the current prices, which are \$19.99 for basic broadband (up to 1Mbps up and up to 6Mbps down) bundled with a qualifying phone service and \$29.99 for basic broadband (up to 1Mbps up and up to 6Mbps down) as a

stand-alone product when customers enroll in auto-pay (e.g. provide a credit card/debit card for monthly automated charge or bank account and routing information for electronic transfer). The comparable offer without enrollment in auto-pay is \$34.99 and will also be made available. Frontier shall agree to provide these offerings and prices for a period of not less than thirty-six (36) months after the Closing.

B. Network Investment:

1. Frontier shall make an incremental capital investment in the total amount of \$63 Million over 2015, 2016 and 2017 to improve broadband capabilities in Connecticut. This amount averages to \$21 million per year, but the Company may spend more or less than that amount in any given year, provided the total incremental capital investment after three years is the \$63 million. This capital investment shall be used for U-verse and DSL broadband network improvements and expansion including, but not limited to: 1) expanded IP broadband data speeds of 10 Mbps or greater to more than 100,000 additional households in Connecticut; and 2) construction of an ultra-high speed middle mile fiber network (Reconfigurable Optical Add-Drop Multiplexer) connecting certain SNET central offices across Connecticut to increase network capacity and allow Frontier to provide 10 Gigabit services to customers from these expanded central offices. Frontier agrees to dedicate at least \$3M of this incremental capital investment commitment to projects focused on expanding broadband to areas that are currently unserved or underserved (i.e. do not have broadband service at minimum speeds up of 1Mbps and down of 4Mbps.) Frontier shall complete the necessary network engineering and operations review to develop plans for these broadband improvements within six (6)

months of the date of Closing and shall use best efforts to complete these projects within thirty-six (36) months.

C. Outside Plant:

1. For the purposes of SNET's initial 10-year pole inspection cycle only, Frontier shall accelerate the inspection cycle so that it is an 8-year inspection cycle and completed by year end of 2020. Frontier agrees to seek to coordinate inspection efforts with the electric utilities. Further, Frontier's Senior Vice President for Engineering and Technology shall annually attest, until the initial inspection cycle is completed in 2020, that the Company's engineering standards and work practices are reasonable and adequate to ensure the reliability and robustness of SNET's outside plant at an aggregate level, and that the plant is maintained in accordance with applicable telecommunications and plant standards, including but not limited to: the National Electric Safety Code (NESC) Handbook, 7th Edition, which covers basic provisions for safeguarding of persons from hazards arising from the installation, operation, or maintenance of conductors and equipment in electric supply stations, and overhead and underground electric supply and communication lines, as well as work rules for the construction, maintenance, and operation of electric supply and communication lines and equipment; and Bellcore/Telcordia Standards for telecommunications (i.e. BSP 915-251-200, 915-251-300, BSP 626-108-101, 626-108-103 and/or 627-610-230). Frontier agrees to perform pole repairs and maintenance demonstrated by the inspection and determined by Frontier to be necessary. Frontier agrees that none of the incremental \$63 Million set forth above in *Section B. 1. Network Investment* will be used for projects not related to the advancement of broadband capabilities.

D. Pole Administration:

1. The Settling Parties acknowledge and agree that PURA Docket No. 11-03-07 entitled PURA Investigation into a Third-Party Statewide Utility Pole Administrator is open and a decision is pending, that there have been several PURA-initiated and moderated Working Group meetings under the umbrella of this docket to attempt to resolve, through consensus of all interested parties, issues related to pole administration, and that Frontier has not participated in the docket and has not been able to assist in developing the record in the proceeding. However, Frontier has reviewed some of the issues in the docket and agrees to the following measures with respect to pole administration: (a) Frontier will enter all the information it maintains for poles solely owned by SNET and jointly owned poles for which it is the custodian into the NOTIFY electronic database to the extent they are not already in the system; (b) Frontier will not object to the use of the NOTIFY system to maintain pole information for the poles it jointly owns with the electric companies; (c) Frontier will designate a single point of contact for parties seeking a license to install a pole attachment or to relocate attachments; (d) Frontier will allow a single application/single license process through NOTIFY; (e) Frontier will allow a single point of contact to collect application and make-ready fees; and (f) Frontier will have a single point of contact be responsible for notifying attachment applicants as to the status of the license and make ready work, and to otherwise manage the oversight of the attachment process such as by keeping track of any required survey work or temporary attachment requests, or make ready work, or applicant payments and construction related to the planned installation as well as notification to and coordination of various parties with

facilities on a pole as to necessary shifts of equipment or modifications in existing attachments. Further, Frontier agrees to comply with any final order or decision of PURA in Docket No. 11-03-07, free from appeal or other court action, with respect to third-party pole administration.

2. Frontier agrees to continue to offer to municipalities, on the same basis that SNET has, an updated pole attachment agreement and reduced application fees both of which had already been implemented as of the date of the Joint Application.

E. Performance Metrics:

1. Frontier shall not initiate with PURA a revision of the Out-of-Service (OOS) Metric in effect as of Closing of the Proposed Transaction for a period of not less than thirty-six (36) months after the Closing. Nothing in this provision, however, shall prohibit Frontier from participating in any proceeding in which the OOS Metric is being reviewed or revised, and to advocate positions in such proceeding, nor shall it prohibit the Settling Parties from negotiating a revised OOS metric framework and for jointly petitioning PURA for consideration of any agreed upon revisions of the framework prior to the end of the 36 month period.

F. Outage Reporting:

1. In the uncommon event of widespread outages, such as during major weather or out of service events, and to the extent the outage data is reasonably available from current systems, Frontier agrees to report outages to PURA at the central office (or other appropriate network device) level rather than to solely rely on customer reports of service outages to the Call Center.

G. Vulnerable Population Program

1. (a) VA Pilot Program. The Settling Parties recognize Frontier's corporate commitment to veterans and veteran programs. Frontier shall collaborate with the Department of Veterans Affairs on a Connecticut-based pilot project seeking to improve the adoption and utilization of the VA's My HealthVet and Home Telehealth programs. Frontier shall support the VA's pilot project through a combination of subsidized broadband service and a \$50,000 donation per year to the VA to be used for VA-selected tablets and other telehealth-capable IP-enabled devices. Frontier shall work with the VA to launch the VA pilot program in 2015 and shall participate in the pilot program for not less than three years unless the VA pilot program is discontinued sooner by the VA.

(b) Low-Income Veterans. In addition, Frontier commits to working with the Attorney General and Office of the Consumer Counsel to identify and implement additional mechanisms to reach Connecticut's low-income veteran population, whose eligibility has been determined and validated by the VA or a VA-associated community service organization, other government agency, or through such other means as agreed upon by the Settling Parties, in order to provide subsidized broadband service to this population at a reduced price of \$19.99 per month for basic broadband, without a contract or requirement to subscribe to auto-pay. Eligible low-income veterans will also receive a free modem and a free first month of service. In addition, Frontier shall offer for free its Frontier Emergency Connect Service (a service that enables customers to call 911 only) to low-income eligible veterans.

(c) Veteran Job Fairs. Frontier commits to hosting at least one veteran-focused job fair per year for three years beginning in 2015 in order to identify veterans for employment by Frontier.

H. Charitable Contributions:

1. Frontier agrees to maintain annual charitable contributions and donations in Connecticut in an aggregate amount of \$500,000 commencing in 2015. In addition, for 2014, Frontier agrees to sponsor the Connecticut Open Presented by United Technologies in the amount of \$75,000 and UCONN Athletics—a two year commitment to support Football and Men’s and Women’s Basketball—in the total amount of \$512,500.

I. Transaction-Related Costs:

1. Frontier agrees that it shall not allocate, push down, or assign to its Connecticut subsidiaries any purchase price, goodwill, early termination payment, change in control payment, incentive or retention bonus payment in connection with the Transaction, either directly, indirectly through another affiliate, or by other means. In addition, Frontier agrees that it shall not pass through to or recover from Connecticut customers or have Connecticut customers fund any portion of the acquisition premium or purchase price for SNET/AT&T stock or any costs associated with the Transaction, including but not limited to financial, legal, severance payments, regulatory fees or investment services.

J. Reporting:

1. Frontier agrees that it will semi-annually send a letter report to PURA on its progress on any condition set forth in this Settlement Agreement for a period of three years following the Closing.

K. Legal Terms

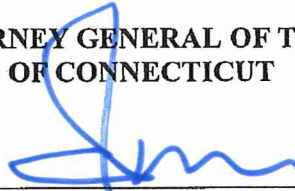
1. If the Proposed Transaction is not approved by PURA by October 15, 2014, without terms or conditions beyond those contained in this settlement or otherwise acceptable to Frontier in its sole discretion, or otherwise does not close, the Settlement Agreement is null and void.
2. The Settling Parties agree that the Proposed Transaction is consistent with Connecticut law and the public interest and should be approved. The Attorney General and OCC agree not to file briefs in the PURA proceeding and to jointly file a letter or a motion with Frontier asking the PURA to approve this Settlement Agreement and the Proposed Transaction without further conditions.
3. Unless expressly provided herein the obligations under the Settlement Agreement will expire thirty-six (36) months from Closing.
4. This Settlement Agreement will only be effective upon full execution by all of the Settling Parties and PURA approval of the Settlement Agreement.
5. The Settling Parties acknowledge that the Settlement Agreement resolves only those issues addressed herein and that other issues unrelated to PURA's approval of the Proposed Transaction may be addressed in other PURA dockets or other forums consistent with applicable law.

6. The Settling Parties acknowledge that this Settlement Agreement represents a negotiated and binding compromise of opposing views on numerous issues and that the particular compromises here apply only to the unique circumstances of this proceeding and the operations in SNET's service area in Connecticut. No Settling Party binds itself in any way with respect to the position that a Settling Party may take regarding the same or similar issues in other contexts, except for a proceeding to enforce the terms and conditions of this Settlement Agreement.
7. The provisions of this Settlement Agreement are not severable. This Settlement Agreement is conditioned on its full approval by the Authority without modifications, additional conditions or requirements.
8. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. The Settling Parties shall prepare and execute such other documents as are reasonably necessary to effectuate the terms of this Settlement Agreement.
9. This Settlement Agreement shall not be deemed in any respect to constitute an admission by any Settling Party as to any factual or legal positions that any of the Settling Parties have asserted or may have asserted in the referenced proceeding absent this Settlement Agreement.
10. This Settlement Agreement is the product of settlement negotiations, and the Settling Parties agree that the content of those negotiations (including any workpapers or documents produced in connection with the negotiations) are confidential, that all offers of settlement are without prejudice to the position of any Settling Party presenting such

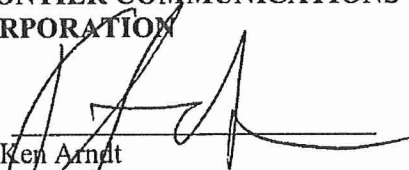
offer or participating in such negotiations, and, except to enforce this Settlement Agreement or defend against claims made under this Settlement Agreement, that they will not use the content of those negotiations in any manner in this or other proceedings involving one or more of the Settling Parties or otherwise.

This Settlement Agreement is signed on behalf of each Settling Party by their duly authorized representatives, as of August 11, 2014.


**ATTORNEY GENERAL OF THE
STATE OF CONNECTICUT**

By: 
George Jepsen
Attorney General
Office of the Attorney General
55 Elm Street
Hartford, CT 06106

**FRONTIER COMMUNICATIONS
CORPORATION**

By: 
Ken Arndt
President, East Region
Frontier Communications
Corporation
3 High Ridge Park
Stamford, CT 60905

OFFICE OF CONSUMER COUNSEL

By: 
Elin Swanson Katz
Consumer Counsel
Office of Consumer Counsel
Ten Franklin Square
New Britain, CT 06051