

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. **0000950132-99-000293**

([HTML Version](#) on secdatabase.com)

FILER

FRONTIER CORP /NY/

CIK: **84567** | IRS No.: **160613330** | State of Incorporation: **NY** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-04166** | Film No.: **99574151**
SIC: **4813** Telephone communications (no radiotelephone)

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PART I

ITEM 1. BUSINESS

General

Frontier Corporation ("Frontier" or the "Company") provides integrated telecommunications services including Internet, Internet Protocol ("IP") and data applications, long distance, local telephone and enhanced services to business, carrier, web-centric and targeted residential customers nationwide and in certain international countries. Although certain of its subsidiaries date to 1899, the Company was incorporated in 1920 under the laws of New York State to take over and unify the properties of a predecessor company and certain properties of the New York Telephone Company which were located in the same general territory. Frontier is headquartered in Rochester, New York. Through its Integrated Services segment, the Company is one of the nation's largest long distance companies. This segment provides domestic and international voice, data products, video and audio communications, digital distribution services, Internet service and other communications products to primarily small to mid-size business customers, carrier customers, web-centric customers and targeted consumer markets. The Company's Local Communications Services segment consists of 34 local telephone companies, which as of December 31, 1998, serve over one million access lines in thirteen states and is one of the largest local exchange service providers in the United States. The Corporate Operations and Other segment includes expenses traditionally associated with a holding company, including executive and board of directors' expenses, corporate finance and treasury, investor relations, corporate planning, legal services and business development. The Other category includes Frontier Network Systems ("FNS"). FNS markets and installs telecommunications systems and equipment. This segment previously included the wireless operations of Minnesota Southern Cellular Telephone Company ("Minnesota RSA No. 10") and the Company's 69.5% interest in South Alabama Cellular Communications Partnership RSAs No. 4 and No. 6 ("Alabama RSA No. 4 and No. 6"). The sale of Minnesota RSA No. 10 was finalized April 30, 1998. The Alabama interest was sold in January 1997. The Company also owns a 50% interest in Frontier Cellular, a wireless joint venture with Bell Atlantic in upstate New York and Pennsylvania that is managed by the Company, and is accounted for using the equity method of accounting. This method of accounting results in the Company's proportionate share of earnings being reflected in the "Other income" section of the Consolidated Statements of Income.

Merger Agreement with Global Crossing

On March 17, 1999, the Company announced a definitive merger agreement to be acquired by Global Crossing Ltd. ("Global Crossing"), the owner and operator of the world's first independent global fiber-optic network. The transaction is currently valued at \$11.2 billion based on the March 16, 1999 closing price of Global

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Crossing shares. The combination of the two companies will create a global Internet Protocol-based fiber-optic network able to provide customers with integrated worldwide Internet, data, long distance, local telephone and conferencing services. Based on already announced networks, the combination will have 71,000 route miles, over 1 million fiber miles, and offer ultra-high bandwidth to 159 cities in 20 countries. It will offer global voice, web hosting, private line, ATM and Internet services.

Under the terms of the transaction, which has been unanimously approved by the Boards of Directors of both companies, Frontier shareholders will receive Global Crossing common shares valued at \$62 per Frontier share, as long as Global Crossing shares trade within a range of \$34.56 to \$56.78 per share (the "collar") during a price period prior to closing. Outside the collar, Frontier shareholders will receive a fixed number of Global Crossing shares, 1.0919 shares at the top end of the collar and 1.7939 at the bottom of the collar. In connection with the transaction, Frontier has granted Global Crossing an option to acquire up to 19.9% of its outstanding shares at \$62 per share as well as a break-up fee if the merger is terminated for certain reasons.

Based on market prices as of March 16, 1999, the merged company will be approximately two-thirds owned by current Global Crossing shareholders and one-third owned by current Frontier shareholders. The transaction is expected to qualify as a tax-free reorganization to the Frontier shareholders and is

anticipated to be accounted for as a purchase. This transaction is subject to approval by shareholders of both companies, the Federal Communications Commission, state and other regulatory authorities. It is expected that the transaction will be completed in the third quarter of 1999.

Company Strategy

The Company's strategy is to be the premier provider of integrated telecommunications solutions in its target markets. The Company will market itself to customers as a single source provider of integrated communications services, which can include long distance, local, cellular, paging, data, Internet and enhanced services. Frontier is committed to growth through expansion of its existing businesses and relationships, the development of value-added products and services and through strategic acquisitions. Frontier anticipates that public policy will continue to evolve in favor of greater competition and, as a result, the Company has been positioning itself to compete aggressively in a marketplace with numerous new competitors.

In 1997, the Company's strategy was defined and actions have been taken to move toward the goal of becoming a market-driven business. During the fourth quarter of 1997, the Company began to divest certain nonstrategic assets and operations. These actions included the sale of a portion of the Company's retail

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prepaid calling card business to SmarTalk Teleservices Inc. in December 1997, the sale of the Minnesota and Alabama facilities-based cellular businesses in 1998 and 1997, respectively, as well as the sale of certain other nonstrategic assets during 1998. The Company continues to evaluate the strategic value of other assets and additional sales are expected from time to time.

Construction of the Company's Optronics network, as originally announced in 1996, was on schedule through the first half of 1998. However, delays in the completion of a small number of segments have moved the expected completion date of the network into the first half of 1999. Most segments are now complete and in operation. The Company made a commitment to extend this network in 1998, and that extension is expected to be completed in late 1999. Through swap agreements with Enron Communications and WTCI, Frontier will add approximately 4,000 additional route miles in the western half of the United States. These agreements will also permit the Company to establish additional redundant SONET rings, further enhancing the reliability and performance of the network. In addition, in July 1998, Frontier entered into an agreement with Williams Communications, Inc. to construct an extension of the network into the southeastern United States. In aggregate, the Company's Optronics network will have approximately 20,000 route miles. As of December 31, 1998, approximately 74% of the original 13,000 route mile Optronics network is carrying traffic. Continuing network integration efforts are expected to further reduce future network costs as well as provide new revenue opportunities for the Company.

The combined technology of the Optronics network and the Nortel DMS-500 switches installed at strategic locations along the network will enable the Company to expand its ability to provide integrated local and long distance services nationwide. In 1998, the Company added ATM and IP capabilities to the Optronics network which will provide greater speed and service for data products. In the fourth quarter of 1997, the Company also introduced a nationwide frame relay product. This product complements the Company's voice services business with a portfolio of additional data services products. This technology makes Frontier a nationwide facilities-based provider of integrated local, long distance and data services.

Legislative and Regulatory Matters

The competitive evolution of the telecommunications industry has resulted in a changing regulatory framework. In general, state regulatory agencies exercise authority over the prices charged for the provision of local telephone and intrastate long distance services, the quality of service provided, the issuance of securities, the construction of facilities and other matters. Each of Frontier's local telephone service companies is regulated by the public utility regulatory agency of the state in which that company provides local telephone service and by the Federal

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Communications Commission ("FCC"). To a lesser extent, the Company's interstate long distance business is also subject to FCC and state jurisdiction.

(a) Telecommunications Act of 1996. The Telecommunications Act of 1996 ("Telecommunications Act") was enacted on February 8, 1996. This landmark legislation significantly modified the Communications Act of 1934 and established a framework for increased competition in the Local and Integrated Services segments of the Company's business. The Company views this legislation as favorable to its operations because Frontier has been able to enter new markets to provide local service as a competitive local exchange carrier ("CLEC"), as well as derive other benefits from the elimination of barriers to competition. In addition to its established local telephone and long distance base, Frontier has been authorized to provide competitive local services in 33 states, plus Washington D.C., as of December 31, 1998 and has commenced operations in 32 of these states.

On August 8, 1996, the FCC released a First Report and Order (the "First Report and Order") in a core rulemaking proceeding to implement the Telecommunications Act. The First Report and Order established guidelines to promote local competition, affecting the Company and all other competitors in local telecommunications markets. On July 18, 1997, the U.S. Circuit Court of Appeals for the Eighth Circuit reversed portions of the First Report and Order that provided for pricing based primarily on forward looking, rather than historical costs, and that would have provided the FCC with substantially more authority over the compliance by local telephone companies with provisions of the Telecommunications Act. On January 25, 1999, the United States Supreme Court revised, in substantial part, the Eighth Circuit's decision. The Supreme Court affirmed the FCC's authority to promulgate rules governing the methodology by which pricing decisions are to be made. The Court also found that the Eighth Circuit should not have addressed the issue regarding the FCC's jurisdiction to enforce compliance with the Act because this issue was not ripe for review. Finally, the Court held that the FCC had not followed the statutory test for determining which network elements incumbent local exchange carriers were required to unbundle and ordered the matter sent back to the FCC for further consideration. Action at the FCC is pending.

The Act also requires the FCC to restructure the manner in which universal service support payments are established and distributed. On May 7, 1997, the Commission substantially adopted the recommendation of a Federal-State Joint Board released on November 8, 1996 with respect to universal service. The FCC's order increased the amount of financial support to be dedicated to universal service programs. The Commission has released numerous subsequent orders that have modified its original decisions. Further action is anticipated in this area.

On May 16, 1997, the Commission adopted an order that substantially modified the structure by which local exchange carriers are compensated for access

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to and use of their networks. This order was implemented effective January 1, 1998. In general, this order encouraged the recovery of some costs that had previously been recovered through usage-based charges to be recovered through fixed charges. The FCC has postponed implementation of portions of the order and additional change is considered likely.

On October 9, 1997, the FCC ordered carriers that receive "dial around" calls from payphones (certain calls sent without coins, such as 800 or other calls, with special access codes) to compensate payphone owners at the rate of 28.4 cents per completed call. The Court of Appeals for the District of Columbia Circuit found that the FCC had failed to justify this rate and sent the matter back to the FCC for further consideration. On February 4, 1999, the FCC set the "dial around" compensation rate at 24 cents per completed call retroactive to October 7, 1997. This decision is subject to reconsideration and appeal.

The FCC has yet to determine how to address the payphone compensation obligation for the period from November 7, 1996 through October 6, 1997. The Company is considering whether to pursue challenges to the FCC order with other carriers in light of the FCC's February 4, 1999 order. On July 15, 1998, an administrative complaint was filed by Bell Atlantic Corp. seeking \$3.2 million in compensation for use of its payphones since October 7, 1997. On August 17,

1998, an administrative complaint was filed by Ameritech Corp. with the FCC seeking \$1.9 million in compensation for the use of its payphones since October 7, 1997. On September 1, 1998, SBC Communications Inc. filed an administrative complaint with the FCC seeking \$3.3 million in compensation for the use of its payphones since October 7, 1997. On November 24, 1998, U S West Communication Group filed an administrative complaint seeking \$2.5 million in compensation for the use of its payphones since October 7, 1997. The filing of the complaints has had no effect upon the position of the Company with respect to payphone compensation. The Company cannot predict the ultimate outcome of any of these FCC proceedings.

(b) State Proceedings -- General. A number of states in which the Company has local or long distance operations are conducting proceedings related to the ground rules under which carriers may operate in an increasingly competitive environment. The issues that the regulatory agencies are examining include unbundling of local network elements, local interconnection obligations, dialing parity for intra-LATA (or short-haul) toll traffic, local number portability, resale of local exchange service and universal service. The Company cannot, at this time, predict how these proceedings will ultimately be resolved, nor when decisions will be forthcoming. On balance, the actions taken reflect reasonable steps consistent with the procompetitive objectives of the Telecommunications Act.

(c) Open Market Plan. The Company began its fifth year of operations under the Open Market Plan in January 1999. The Open Market Plan promotes telecommunications competition in the Rochester, New York marketplace by

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providing for (1) interconnection of competing local networks including reciprocal compensation for terminating traffic, (2) equal access to network databases, (3) access to local telephone numbers, (4) service provider telephone number portability, and (5) certain wholesale discounts to resellers of local services. Results since implementation of the Open Market Plan are considered to have been constructive for the Company as a whole.

During the seven year period of the Open Market Plan, the Company will not be regulated by rate-of-return regulation, but instead, will be regulated under pure price cap regulation. Over this period, planned rate reductions of \$21.0 million (the "Rate Stabilization Plan") will be implemented for Rochester area consumers, including \$16.5 million of which occurred through 1998, and an additional \$1.5 million which commenced in January 1999. Rates charged for basic residential and business telephone service may not be increased during the seven year period of the Plan. The Company is allowed to raise prices on certain enhanced products such as Caller ID and call forwarding.

The New York State Public Service Commission ("NYSPSC") has issued a Notice Inviting Comments in which it has proposed to make further changes in pricing under the Open Market Plan. These pricing changes could reduce some prices to competitors for network elements and other offerings, but could also reduce the amount paid by the Company for reciprocal compensation. The issues being addressed by the NYSPSC have been under consideration since 1995. The Company cannot predict the ultimate impact of any NYSPSC action in this proceeding, although it is not expected to be material. The NYSPSC has also issued orders on other regulatory issues over time, related to service quality, staff allocations, provisioning and relations with other carriers.

Management believes there continues to be significant market and business opportunities, as well as uncertainties, associated with the Company's Open Market Plan. There can be no assurance that the changing regulatory environment will positively impact the Company.

Dividend Policy

The Open Market Plan prohibits the payment of dividends by the Company's subsidiary, Frontier Telephone of Rochester, Inc. ("FTR"), to Frontier if (i) FTR's senior debt is downgraded to "BBB" by Standard & Poor's ("S&P"), or the equivalent rating by other rating agencies, or is placed on credit watch for such a downgrade, or (ii) a service quality penalty is imposed under the Open Market Plan. Dividend payments to Frontier also require the FTR's directors to certify that such dividends will not impair FTR's service quality or its ability to finance its short and long-term capital needs on reasonable terms while maintaining an S&P debt rating target of "A."

In 1996, FTR failed to achieve the service quality levels required by the Open Market Plan. FTR requested a waiver, but was denied. The NYSPSC's ruling resulted in a restriction on the flow of cash dividends from FTR to Frontier. On October 22, 1997, the NYSPSC adopted an order requiring FTR to issue refunds of approximately \$0.9 million, or \$2.60 per customer. Reserves sufficient to cover the refund were established in 1996. These refunds have been issued.

On October 15, 1998, the NYSPSC approved a proposal by FTR for revision of its service incentive plan that:

- required a rebate of \$8.00 per customer to resolve all service penalties for 1997 and 1998, such rebates have been issued,
- established a rebate/client program for missed appointments, and
- increased the amounts at risk for the period 1999-2001 should FTR fail to meet required service levels.

In 1998, the Company completed commitments to the NYSPSC to increase capital expenditures to a minimum of \$80.0 million and added employees in service-affecting areas.

The temporary restriction of dividend payments to Frontier will remain in place until the NYSPSC is satisfied that FTR's service levels demonstrate that FTR has rectified the service deficiency.

Competition

The telecommunications industry continues to experience significant changes in the competitive landscape. Factors such as industry consolidation, technological advancement, growth in Internet and data applications and changing regulatory framework have created economies of scale for some companies and niche opportunities for others. Frontier is intent on taking advantage of the various business opportunities which competition provides in the markets where it operates as well as in new markets. The Company is addressing competition by focusing on its core business and the markets it serves, divesting non-strategic operations, creating advantages through its infrastructure and sales and customer care philosophies, and by continuing to reduce its cost base to become more efficient.

(a) Integrated Services. Competition in this line of business is generally based upon pricing, customer service, network efficiencies and reliability, service quality and enhanced service offerings. Frontier views the long distance industry in three tiers. The industry is dominated on a revenue basis by the first tier which is made up of the nation's three largest long distance providers: AT&T Corp. ("AT&T"), MCI WorldCom, Inc. ("MCI WorldCom") and Sprint Communications, Inc. ("Sprint"). AT&T, MCI WorldCom and Sprint generate more than 85% of the nation's domestic and international long distance revenue. Frontier is positioned in the second tier.

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The third tier consists of more than 300 companies with annual revenues of less than \$1 billion each, the majority below \$50 million each. The Company targets small to mid-sized business customers and seeks to provide a level of focus and attention to customer service that compares favorably with what its larger competitors offer to large commercial customers. Frontier believes that it is one of a small number of integrated service companies with the ability to offer high quality integrated data, local and long distance services to small to mid-size business customers on a nationwide basis. A number of the Company's competitors are primarily regional in nature, limited by the size of their transmission systems, dependent on other parties for their billing services, or offer only basic long distance services.

The Regional Bell Operating Companies ("RBOC") are continuing to take actions to meet the Telecommunications Act's "checklist" for entry into the long distance market within its region. To date, several applications for entry have been rejected by the FCC. Other applications are pending before regulatory agencies. An RBOC that is able to meet the checklist is able to enter the long distance business in its region only in the states where it is authorized.

The Company recognizes that a benefit of continuing growth is that it will be

able to compete effectively in the changing telecommunications industry and avail itself of greater economies of scale and scope in its transport and local access facilities and in its back office operations.

(b) Local Communications Services. The Company faces many competitors in the provision of equipment and facilities used in connection with its local exchange networks, as this market has become increasingly competitive in recent years. The market for the provision of local services itself is now competitive in Rochester, New York as a result of the Open Market Plan, and the Telecommunications Act is likely to result in significantly greater competition in other markets. Competitive Local Exchange Carrier ("CLEC") activity is believed to be minimal in the Company's telephone properties outside the Rochester, New York area.

Long distance companies largely access their end user customers through interconnection with local exchange companies. These long distance companies pay access fees to the local exchange companies for this service. The provision of access services in Rochester by FTR and elsewhere is considered to be competitive.

Integrated Services

General

The Company is one of the nation's largest long distance companies. The Integrated Services segment provides domestic and international voice, data products, video and audio communications, digital distribution services, Internet

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service and other communications products to primarily small to mid-size business customers, carrier customers and targeted consumer markets. Results for this segment also include CLEC services. As explained below, CLEC services are currently available in 32 states, plus Washington D.C., providing the Company with the ability to offer integrated data, local and long distance services to approximately 71% of the United States population. In February 1998, the Company acquired GlobalCenter Inc. (renamed "Frontier GlobalCenter Inc." or "GlobalCenter"), a leading provider in digital distribution, Internet and data services headquartered in Sunnyvale, California. The acquisition of GlobalCenter and subsequent development and integrative work has assisted the Company in responding to changes in the nature of calling, expanded use of the Internet and growth of data transmission.

The Company operates its own switches, develops and implements its own products, monitors and deploys its transmission facilities and prepares and designs its own billing and reporting systems. The Company focuses primarily on commercial accounts and certain targeted consumer markets. In this segment, calling volume consists primarily of calls made during normal business hours, which command peak-hour pricing. The Company's residential subscribers tend to make most of their calls in the evening and on weekends, when business usage is lowest.

Products and Services

The Company provides a variety of integrated telecommunications products and services to commercial and residential subscribers nationwide designed to meet the customer's total communications needs. The bulk of the Company's revenue is derived from outbound and inbound long distance services which are generally marketed under the Frontier name. Many of the Company's integrated products, however, differ from those of competitors due to the level of value-added services the Company offers and the flexibility of product pricing to maintain competitiveness.

The variety of products and services developed and offered are based upon market driven requirements of the customer including an expectation that services can be integrated. They include: digital distribution and data services, CLEC services, and voice and other value-added services.

Digital Distribution and Data Services-The Company's Data Services products target small to mid-sized businesses and web-centric businesses. Data services currently include digital private lines, frame relay, dial-up Internet, dedicated Internet and web-hosting. The acquisition of GlobalCenter has accelerated Frontier's ability to provide an expanded line of data services.

During 1998, Frontier expanded its data services product set that can be segmented into three product lines: Transport, IP and Application Services. Transport is the means to transfer data from one location to another. Product offerings within this service

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category include dedicated private lines, frame relay, and managed services. Within the IP product line, we provide the customer with the cost efficiencies of a public Internet network and the security of a private network. Applications Services are outsourced applications hosted by the service provider and integrated into both public and private networks which enable the customer to access the application at all times. Product offerings within this category include digital distribution, integrated messaging, and web site hosting. Digital distribution involves a combination of transport services, consulting services and professional expertise aimed at providing customers with customized Web based data services.

CLEC Services-The Company provides competitive local telephone service bundled with the Company's other integrated services through its CLEC product offering. The CLEC offering is provided either using the Company's local switching equipment in locations where it is available or on a resale basis. As of December 31, 1998, the Company was providing local services as a CLEC, together with a complete range of long distance products, in 32 states plus Washington D.C. Most of that coverage was provided via resale of services of incumbent local exchange carriers. Within that footprint, CLEC service also was provided initially from Frontier's own switches in New York, Boston and Minneapolis. Since then, Frontier expanded its coverage to approximately two-thirds of the United States and turned up facilities-based service in a total of thirteen metropolitan areas by the end of 1998. Facilities-based service is being offered in cities that are on the Company's Optronics network, which will provide Frontier with the opportunity to expand its offerings of combined local and long distance services into additional markets, control access costs, and leverage the Optronics network. As of the end of 1998, Frontier is serving in excess of 208,000 CLEC ANIs, or access lines as compared to 100,000 CLEC ANIs at the end of 1997. Frontier's objective is to have the capability to offer local services in 33 states, plus Washington D.C., covering 74% of the population of the United States by the end of 1999.

Value-added Services-The Company's value-added services are aimed primarily at the business subscriber, although the Company also offers products for residential customers. Value-added services provide cost-effective solutions for both simple and complex communications applications and include calling cards, teleconferencing, broadcast fax, voice mail and cellular and paging services.

The calling card is a personal communication tool that can provide access to teleconferencing, voice mail, information services such as stock quotes and weather information, Flexible Call Routing of toll free service, Call Delivery for immediate or future message delivery, Directory Assistance and Travel Connections to hotel, car and airline reservation systems. Using a calling card, customers can call to any domestic and most international locations from the U.S. or numerous international locations. In addition, the calling card product enables customers to dial 100 frequently called numbers using their own toll free number and a four-digit preprogrammed PIN.

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Frontier Conferencing provides a way for three or more people at different locations to participate in a joint discussion. Several options are available: 800 Meet-Me, Dial-Out or Dial-In via a Frontier calling card. Broadcast Fax enables the user to fax a single document to multiple locations at the same time and is designed for the larger fax user who regularly sends information to an established list.

Voice Mail Plus with Fax Mail provides an efficient means of always being accessible (through the use of outcall or pager notification) and never missing important calls. With an individual toll-free number, a customer can save, delete or forward fax and voice messages to other Voice Mail Plus users or change greetings all on one call. Customers can also store a fax or automatically print it at a designated fax machine.

The Company offers cellular and paging services to both commercial and

residential customers on a single invoice to complement the customer's integrated services. Cellular services are offered in 189 markets through strategic partnerships with major cellular carriers. The Company believes this multi-market coverage offers significant value to customers with multiple locations and high mobility needs. Expansion into additional markets and new digital technologies is being pursued for future development.

The Company also offers nationwide numeric paging through personal toll free numbers. When coupled with the Flexible Call Routing feature, nationwide paging creates a robust travel application. Local paging service is also available in selected local franchise markets.

The Company's toll free services are offered primarily to business customers on a single invoice, although several residential products are available. In addition to basic 800/888 toll-free applications, the Company offers MultiPoint, which allows customers to terminate calls in different locations based on the four-digit Personal Identification Number (PIN) the caller enters; GlobalPoint international service, which completes calls originating in over 40 countries; and Flex Connect 800, a fractional service which allows multiple residential customers to reach different terminating locations utilizing a four-digit security PIN. The Company also provides a robust line of routing features such as Flexible Call Routing, which allows customers to change where calls terminate based on their need; routing and blocking enhancements determined by the area code, area code and exchange or full ten-digit telephone number of the caller; time of day and day of week routing; and percent call allocation.

Toll free services also include Interactive Voice Response ("IVR") services, including TargetLine, a call prompter that routes callers either by menu options or prompting them to enter digits for extension routing; InstaLink, a dealer locator

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routing callers based upon their area code and exchange or zip code; and PassPort, a network based host interface IVR solution.

Pricing-Customers subscribe to various products which determine the price per minute that they pay on their outbound or inbound long distance calls. Rates typically vary by the volume of usage, the distance of the calls, the time of day that calls are made, the region that originates the call and whether or not the product is being provided on a promotional basis.

Reporting Services-The Company offers a variety of billing options and media aimed primarily at business customers. When a new commercial account is opened, the customer is offered the opportunity to custom design the format of its reports. The Company also offers customers graphic reports of traffic patterns on a nationwide basis by state, within state by area of dominant influence ("ADI") and within ADI by zip code. The Company believes these services are useful to certain customers for direct response advertising and customer service applications. The Company also offers its proprietary personal computer reporting service, known as uCommand, which allows customers to design their own reports, prepare separate itemized bills, do mark-up reporting and generate numerous other customer reports.

800 Services-These services include area code blocking and routing; time of day routing; Home Connection 800, a fractional 800 service which allows residential customers to access 800 service utilizing a four-digit security PIN; Multi-Point 800 service, which allows customers to use accounting codes on an 800 number or route a single 800 number to numerous locations simultaneously; Follow-Me 800, which allows customers to change call routing and TargetLine 800, which routes calls to the closest location a customer identifies and provides custom prompts based upon a customer specific database.

Transmission

The Company endeavors to have sufficient switching capacity, local access circuits, and integrated services circuits at and between its network switching centers to permit subscribers to obtain access to the switching centers and its integrated services circuits on a basis which exceeds industry standards regarding clarity, busy signals or delays.

The network currently utilizes a variety of transmission circuits to complete long distance calls. The Company's Optronics network will reduce the number of transmission facilities leased and provide for a more dependable and cost-

effective transmission system. Currently, Optronics network facilities have been completed in Texas, California, Nevada, Utah, Colorado, Kansas, Missouri, Ohio, Pennsylvania, New York, Illinois, Wisconsin, New Mexico, Arizona, Oregon, Washington, Nebraska, Iowa, Indiana, Michigan, New Jersey, Maryland, Kentucky,

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Tennessee, Oklahoma and Massachusetts. Completion of the expanded Optronics network is expected by year end 1999.

In addition to the Optronics transmission circuits, the network is comprised of digital microwave systems located in California, New York and Pennsylvania for which the Company holds FCC licenses, and facilities that have been leased on a fixed price basis under primarily short-term contracts. While the Company still has a number of longer term lease contracts, these contracts have annual "mark-to-market," "circuit portability," and "commitment buy-out" clauses. These provisions function to keep the price the Company pays at or near current market rates. An important aspect of the Company's operation is planning the mix of the types of circuits and transmission capacity to be used for each network switching center so that calls are completed on a basis which is cost effective for the Company without compromising prompt service and high quality to subscribers.

The Company's network switching centers house equipment with varying capacities to meet the anticipated needs of the service origination region(s) served by the center. The equipment used by the Company is, for the most part, designed to permit expansion of its capacity by the addition of standard components. If the maximum capacity of the equipment in any center is reached, the Company upgrades it with higher capacity switching equipment in an effort to scale the equipment for growth. The Company is dependent upon local telephone companies for installing local access circuits and providing related service when establishing a network switching center. International service is provided through both Company owned direct circuits and through contracts with several international long distance companies to provide high quality international service at competitive rates.

It is anticipated that the Optronics network will continue to lower the Company's current cost structure and expand the Company's transmission capabilities. However, the Company cannot definitively project the change in its cost structure nor assure that the network will be fully completed as scheduled.

Major Customer

In 1996, the Company renegotiated its contract with its then largest carrier customer as the customer was planning to install its own long distance switching capacity and diversify its traffic distribution to one or more additional carriers. Revenue from this carrier comprised approximately 4% of Frontier's Integrated Services revenue in 1998 as contrasted with 6% and 21% in 1997 and 1996, respectively. The loss of this customer's one-plus traffic contributed to lower operating income in 1997 due to lower overall traffic levels resulting in a higher level of fixed network costs than required by the remaining volume of business carried by the Company.

Seasonality

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The Company's integrated services revenue is subject to certain limited seasonal variations. Because most of the integrated services revenue is generated by commercial customers, the Company traditionally experiences decreases in long distance usage and revenue from its commercial customers during vacation and holiday periods. The effect of commercial seasonality is evidenced by lower sequential traffic growth in the fourth quarter for these customers.

Local Communications Services

The Company's Local Communications Services segment comprises one of the largest local exchange service providers in the United States. This segment consists of 34 regulated telephone operating subsidiaries in 13 states, serving in excess of one million access lines. The local exchange carriers provide local, toll, access and resale services, sell, install and maintain customer

premises equipment and provide directory services.

Over the last decade, the Company has invested heavily to install advanced digital switching platforms throughout all of its switching network, making the Company one of a small number in the industry to be served by an entirely digital network for its local exchange companies.

Frontier has achieved substantial cost reductions through the elimination of duplicative services and procedures and the consolidation of administrative functions. The Company believes that additional cost reductions may be obtainable from advanced switching platforms and outside plant delivery systems. The Company intends to pursue additional gains in productivity by investing in these technologies where feasible, and through reengineering customer service processes.

Of the approximately 1,024,726 access lines in service on December 31, 1998, 721,039 were residential lines and 303,687 were business lines. Long distance network service to and from points outside of the telephone companies' operating territories is provided by interconnection with the facilities of interexchange carriers.

Frontier is pursuing several alternatives to provide expanded broadband capabilities to its customers. To date, the Company has installed over 31,000 fiber miles of fiber based network facilities (over 930 sheath miles) in the Rochester, New York area to provide its customers with enhanced capacity and to position the Company to offer new products. The Company provides expanded broadband services to select customers, including video-distance learning arrangements for educational institutions, and access to SONET based fiber rings for major business customers.

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In connection with its integration strategy, the Company has developed a program known as "Frontier Long Distance", whereby the Company's local exchange companies resell Frontier's integrated services. The Company believes that many customers prefer the convenience of obtaining their long distance service through their local telephone company and receiving a single bill. Frontier Long Distance is currently offered in the product lines of most of the Company's local telephone exchange companies. The results of "Frontier Long Distance" are included as part of the Integrated Services segment.

Environmental and Other Matters

Except for site specific issues, environmental issues tend to impact members of the telecommunications industry in consistent ways. The Environmental Protection Agency ("EPA") and other agencies regulate a number of chemicals and other substances that may be present in facilities used in the provision of telecommunications service. These include preservatives in some wood poles, asbestos in certain underground duct systems and lead in some cable sheathing. Some components of the Company's network may include one or more of these substances. The Company believes that in their present uses, any such facilities of the Company pose no significant environmental or health risk derived from EPA regulated substances. If EPA regulation of any such substance is increased, or if any facilities are disturbed or modified in such a way as to require removal, special handling, storage and disposal may be required for any such facilities removed from use. At this time the Company is not subject to any environmental litigation that requires disclosure, except as set out in Item 3, Legal Proceedings.

Year 2000 Issues

In furtherance to the 8-K filed 1/26/99 and the Company's Annual Report, the Company's Year 2000 ("Year 2K") project is intended to address potential processing errors in computer programs that use two digits (rather than four) to define the applicable year. The Company's assessment of Year 2K issues is essentially complete. Disclosure is warranted because the issues, if unresolved by the Company and by the many unaffiliated carriers and other firms with whom the Company interconnects its networks or does business, could have impacts that are material. The Company addresses Year 2K issues in four areas:

State of Readiness. Frontier has developed plans to assess and remediate key

internally-developed computer systems so they will be Year 2K compliant in advance of December 31, 1999 and has implemented those plans to a significant

degree. The plans encompass all operating properties as well as Frontier's corporate headquarters. These include both information technology ("IT") and non-IT compliance. The plans cover the review, and either modification or replacement where necessary, of portions of the Company's computer applications, telecommunications networks, telecommunications equipment and building facility

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equipment that directly connect the Company's business with customers, suppliers and service providers. Implementation of the plan began in 1996 and the Company believes that substantially all of its internally-developed IT systems are now compliant. Final assessments and remediation are expected to be substantially complete by midyear 1999, leaving the remainder of 1999 for additional system testing, carrier interoperability testing and other remediation. These plans involve capital expenditures for new software and hardware, as well as costs to modify existing software. This could include replacement of individual end user equipment. Initially, work with IT systems was given priority over work with non-IT systems, but the Company is comprehensively reviewing its non-IT Year 2K readiness as well, including communications with third parties who supply or maintain non-IT systems or significant non-IT subsystems.

The Company has given special attention to the Year 2K issues involved in its network, switches and billing systems, and will continue to dedicate significant resources to these areas as a priority. The Company has also increased its resources in areas in which assessment and remediation has not yet reached a point where management is satisfied with progress.

Costs. To date, the Company has committed approximately \$7.5 million to Year 2K issues, and anticipates that it will spend an additional \$3.0 to \$4.6 million during 1999. This includes costs directly related to Year 2K assessment and remediation and the replacement of non-compliant systems, including acceleration of replacement of non-compliant systems due to Year 2K issues. A substantial portion of the total amount has been used for third party assistance in assessment and remediation. Another \$5 million may be spent to replace end user equipment. The source of these funds is cash generated from operations. The Year 2K projects have not caused the Company to forego or defer, to any material degree, other critical IT projects. To date, the costs of addressing potential Year 2K problems are not considered material to the Company's financial condition, results of operations or cash flows and have been consistent with planned expenditures, and future costs are not expected to be material in such respects.

Risks. The Company is engaged primarily in telecommunications lines of business, and therefore connects directly and indirectly with thousands of other carriers, inside and outside the United States. These connections are made through switching offices of the Company and the other carriers. The switching offices were manufactured by and often maintained by third parties. While many other carriers have announced plans to engage independently in Year 2K assessment and remediation for their networks, there is a risk that some carriers (particularly smaller carriers and carriers outside the United States) will not address or resolve Year 2K issues, and that telecommunications will therefore be affected. If this were to occur, it is likely that the Company would be affected only to the same degree as the other carriers in the telecommunications industry. A Year 2K failure in the network of smaller carriers would not be likely to have a significant impact on

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telecommunications generally, or on the Company. However, addressing these risks is outside the Company's control. In addition, the Company is unable at this time to assess the degree to which the manufacturers of switches and similar equipment have completed their assessment and remediation of such equipment and its associated software with respect to any other carriers. The majority of the Company's switches are manufactured and supported by entities with a broad base of similarly situated customers, and who have a vested interest in assuring that their products will not be affected by Year 2K events, and if affected, will be remedied promptly. The Company has initiated an inquiry with its primary vendors and continues to engage in discussions related to Year 2K compliance with many of them. Another risk to the Company arises with respect to the timely completion of Year 2K remediation for the processing that occurs in the Company's IT and non-IT systems, including billing systems. If the Company or

its vendors are unable to resolve such processing issues in a timely manner, it could pose independent risks to the Company's business that could be material. Accordingly, the Company has devoted resources it believes to be adequate to resolve all significant identified Year 2K issues in a timely manner, and has undertaken plans to make information available to customers and others related to its Year 2K activities. Consistent with the practice of other carriers, the Company generally has declined to provide Year 2K compliance warranties or other Year 2K-related contractual promises to customers or other persons. In addition, the Company is engaged in communications with third party equipment and software vendors and suppliers of services to verify their Year 2K readiness, and plans to engage in internetwork testing with other carriers during 1999. Since the Company's own Optronics network, including the recently announced southeast expansion, is expected to be substantially deployed before December 31, 1999, the Company anticipates that the impact of other carriers who may experience business interruptions would be lessened, and such interruptions are not currently expected to have material adverse impacts on the Company.

Contingency Plans. The Company consistently monitors the progress of its

Year 2K program. The Company currently anticipates that it will resolve its Year 2K issues before the end of 1999, with the exception of any issues that involve other carriers or suppliers and that are outside of its control. During 1999, the Company will also monitor efforts undertaken through regulatory agencies and industry groups to assure that Year 2K preparations are completed in a timely manner. The Company has begun to evaluate whether there are areas for which contingency plans are appropriate (but has not identified any such areas to date). Any need for contingency planning will be identified well before year end. Because of its prior use of multiple billing systems, the Company has experience in manual billing consolidation for its carrier customers, and will always have manual processes available to it. Contingency plans will be developed for critical systems if conversion or replacement projects fall behind schedule, or if internetwork testing should identify significant risk issues, or if broader industry concerns emerge that management concludes require such action.

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Employees and Labor Relations

As of December 31, 1998, the Company had 8,151 employees, of which 2,708 were employees of Local Communications Services, 4,254 were employees of Integrated Services, and 1,189 were employees of other operations. At the Rochester, New York Operating Company, 633 clerical and service workers were represented by the Rochester Telephone Workers Association ("RTWA") and 730 craft and clerical employees were represented by the Communications Workers of America, Local 1170 ("CWA Local"). The union labor contracts are normally negotiated in three year cycles.

Under the current three-year contract between the Company and the RTWA, effective August 10, 1997, bargaining unit employees will receive a 2.0% general increase on August 15, 1999. On August 16, 1998 they received a 2.0% general increase. On February 18, 1996 and February 16, 1997 they received a 1.0% general increase.

On January 31, 1996, the CWA Local contract expired. The contract negotiations reached an impasse, and the Company implemented the terms of its final offer as of April 9, 1996. Members of the CWA Local ratified a tentative agreement with the Company on April 29, 1997 which contained provisions that differed from the Company's final offer implemented at the time of impasse. The differences between the Company's final offer and the agreement that was subsequently reached and ratified by CWA Local membership are not material. The new agreement provides several operational improvements and will result in a more consistent alignment of benefits with the rest of Frontier. The CWA Local continued to appeal one issue with the National Labor Relations Board ("NLRB") related to the declaration of impasse. In October 1998, the administrative law judge found in favor of the Company. Presently, the Union and the government are appealing to the NLRB. The Company cannot predict the final outcome of this matter at the present time. The CWA Local and the Company reached a new three year agreement in December 1998 which is not scheduled to expire until January 2002.

The International Brotherhood of Electrical Workers ("IBEW") currently represents 186 employees at three of the Company's New York communications subsidiaries. These subsidiaries are Frontier Communications of New York,

Frontier Communications of Sylvan Lake and Frontier Communications of AuSable Valley. The contracts between employees of Frontier Communications of New York and Frontier Communications of Sylvan Lake and the IBEW expire January 31, 2001. The current contract between employees of Frontier Communications of AuSable Valley and the IBEW expires May 10, 2002.

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The Company cannot predict the final outcome of these matters at this time and there can be no assurance that there will not be a material impact on the results of operations. There can be no assurance that as contracts with the Company's other labor unions expire, successful bargaining of new contract terms will occur.

Risk Factors

The Company is subject to several risk factors that should be considered by current shareholders and prospective investors. This Report on Form 10-K and the documents incorporated by reference include forward looking statements as described under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those identified in forward looking statements. Forward looking statements are identified by such words as "expects", "anticipates", "believes", "intends", "plans" and variations of such words and similar expressions.

Changes in Rates of Growth of the Economy and the Overall Industry

To some extent, the Company's revenue and earnings per share growth are related to the overall economy and to the telecommunications industry in general. Factors that may influence the Company's performance within the telecommunications industry include product pricing and development, integration of services, the effects of competition and the expansion of the business. The performance of the economy and the telecommunications industry could cause the Company's actual results to vary significantly.

Competition Risk

Technological innovation and regulatory changes are accelerating the pace of competition for telecommunications services. As a result, the Company faces intensified competition in all aspects of providing telecommunications services.

There are significant uncertainties surrounding the introduction of new products and services and the capital expenditures that will be required by the Company to remain in a competitive position. In addition, there are uncertainties surrounding the impact on competition as a result of the enactment of the Telecommunications Act.

Acquisition Integration

The Company's growth over the last few years has been driven by its long distance acquisition program and internal growth. In the last year, the Company has altered its strategy to place significantly greater emphasis on acquisitions and growth in the Internet and data area. This growth strategy involves certain operational and financial risks. The operational risks include the possibility that

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implementation of an acquisition does not provide the economies of scale or synergies anticipated by management. Successful integration and expansion of the Company's network as a result of the acquisitions is dependent on management's ability to anticipate market growth, install facilities, consolidate databases, obtain rights of way and negotiate leases economically and efficiently. The integration of a growing employee base and the elimination of redundant operations and facilities has required and will continue to require significant management resources. Although management's plans are to minimize the risks associated with acquisitions, there can be no assurance that acquired businesses will be assimilated effectively into the Company.

Contingent Liabilities

The Company and a number of its subsidiaries are continuously involved in various judicial and administrative proceedings involving matters incidental to

the business. Unless otherwise stated specifically, the Company believes that the probable outcome of any of these matters, or the combination of all of the matters, will not have a material adverse effect on the Company's consolidated results of operations or financial position. However, there can be no assurance that the resolution of these matters will not be contrary to management's expectations.

ITEM 2. PROPERTIES

The Company's Integrated Services segment owns property which includes: Optronics and copper cable, switching equipment, microwave equipment, real estate and miscellaneous office and work equipment. The Company's Integrated Services segment also leases facilities or transmission capacity from other carriers.

The Company's Local Communications Services segment owns telephone properties in their respective operating territories which include: connecting lines between customers' premises and the central offices; central office switching equipment; buildings, land and miscellaneous property and customer premise equipment. The central office switching equipment includes digital switches and peripheral equipment. The connecting lines include aerial and underground cable, conduit, poles, wires and microwave equipment. These facilities are located on public streets and highways or on privately owned land. The Company has permission to use these lands pursuant to local governmental consent or lease, permit, franchise, easement or other agreement.

The Company owns or leases the land and buildings in which its central offices, warehouse space, office and traffic headquarters are located. Frontier Corporation's headquarters are located in a leased seven story building at 180 South Clinton Avenue, Rochester, New York. The lease expires in 2014.

ITEM 3. LEGAL PROCEEDINGS

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On June 11, 1992, a group of corporate plaintiffs consisting of Cooper Industries, Inc.; Keystone Consolidated Industries, Inc.; The Monarch Machine Tool Company; Niagara Mohawk Corporation and Overhead Door Corporation commenced an action in the United States District Court for the Northern District of New York seeking contribution from fifteen corporate defendants, including Rotelcom Inc., a wholly-owned subsidiary of the registrant held through intervening subsidiaries (now named FNS). The plaintiffs seek environmental response costs incurred by the plaintiffs pursuant to a consent decree entered into by plaintiffs with the United States EPA. Two additional defendants were named in 1994. In addition to FNS, the current defendants are: Agway, Inc.; BMC Industries, Inc.; Borg-Warner Corporation; Elf Atochem North America, Inc.; Mack Trucks, Inc.; Motor Transportation Services, Inc.; Pall Trinity Micro Corporation; The Raymond Corporation; Redding-Hunter, Inc.; Smith Corona Corporation; Sola Basic Industries, Inc.; Wilson Sporting Goods Company; Phillip A. Rosen; Harvey M. Rosen; City of Cortland and New York State Electric & Gas Corporation.

The consent decree concerned the clean-up of an environmental Superfund site located in Cortland, New York. It is alleged that the corporate defendants disposed of hazardous substances at the site and are therefore liable under the Comprehensive Environmental Response, Compensation and Liability Act. On November 21, 1997, the EPA issued a Proposed Remedial Action Plan ("PRAP"). In the PRAP, the EPA outlined four alternative plans for remediating the site. Recently, a number of parties, excluding the Company, have reached agreements with the EPA to fund certain future remedy costs at the site consistent with the PRAP. There has been no allocation of liability by the Court as among or between the plaintiffs or defendants.

Since February 1994, a significant number of former American Sharecom, Inc. ("ASI") shareholders have filed and amended several and various complaints in Hennepin County (Minnesota) District Court. Included among the defendants are ASI, its former principal shareholders, Steven Simon and James Weinert, and Frontier. These suits allege generally that Simon and Weinert, with and through ASI, embarked upon a scheme to gain control of ASI and acquire all of its stock through common law fraud, breach of fiduciary duty and certain violations of the Minnesota Business Corporation Act. This Act requires shareholders in a closely held corporation to act fairly toward one another and refrain from misappropriation. Another action by a few former ASI shareholders who dissented from the cashout merger that finally took ASI private was recently dismissed by

the federal court in Minnesota. The claims against Frontier maintain only that Frontier controls the disposition of the restricted Frontier stock which was issued to Simon and Weinert in connection with the acquisition of ASI and that such stock should be held in trust for the benefit of the plaintiffs. At this time Simon and Weinert have either negotiated settlements with the majority of former ASI shareholders who had asserted claims or have succeeded in obtaining dismissal of many of the lawsuits.

Although it is too early to determine the outcome of the remaining lawsuits, Frontier, ASI and the other defendants each are contesting the claims. In connection with the acquisition of ASI by Frontier, Simon and Weinert agreed to indemnify and defend the Company for these claims.

On April 10, 1997, Jeff Thompson filed a purported class action on behalf of himself and all other similarly-situated persons in Circuit Court for Marengo County Alabama. Named as defendants are Frontier Corporation, Frontier Subsidiary Telco, Inc. and Frontier Communications of the South, Inc. ("defendants"). The complaint also reserves the right to add additional defendants and identifies all of Frontier's telephone subsidiaries. Concomitant with filing the complaint, plaintiff also filed an ex parte motion for conditional class certification which the Court granted. It conditionally certified a class consisting of "All persons or entities in the United States who have been charged by defendants or their subsidiaries or affiliates a fee for 'inside wire maintenance' without having given their affirmative acceptance to a repair service contract; specifically excluded from this class, however, are all employees, agents, officers, directors and affiliates of any of the Defendants and all persons or entities who have pending and/or previously filed individual (non-class) lawsuits against any of the defendants for the same claims set forth in the Complaint." On January 30, 1998, the Supreme Court of Alabama issued a writ of mandamus to the trial court ordering it to vacate its conditional class certification. In light of the decision of the Alabama Supreme Court, plaintiffs have agreed voluntarily to dismiss this action with prejudice. A stipulation of dismissal with prejudice was entered by the trial court on February 19, 1999.

The Open Market Plan discussion in the Business section, Part I, Item 1 of this document is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the New York Stock Exchange (Symbol - FRO). The specific information required by this item is as follows:

<TABLE>
<CAPTION>

Quarter	1998		1997		1996	
	High	Low	High	Low	High	Low
1st	\$ 33.44	\$24.44	\$ 23.25	\$17.75	\$ 33.25	\$28.25

<TABLE>

Quarter	1998	1997	1996
2nd	\$33.00	\$20.50	\$33.38
3rd	\$36.75	\$24.19	\$31.25
4th	\$34.13	\$25.00	\$31.88
Common stock	\$.2225	\$.2175	\$.2125

in Accounting Principles.....	(.01)	---	(.05)	(.01)	(.04)
Diluted Earnings per Common Share.....	\$1.01	\$.18	\$1.13	\$.13	\$1.11
Cash Dividends Declared per Common Share.....	\$0.890	\$0.875	\$0.855	\$0.835	\$0.815
Total Assets.....	\$3,058,743	\$2,487,920	\$2,229,392	\$2,111,415	\$2,060,794
Long-Term Debt.....	\$1,350,821	\$ 934,681	\$ 677,570	\$ 618,867	\$ 661,549

ITEM 7. MANAGEMENT'S DISCUSSION OF RESULTS OF OPERATIONS AND ANALYSIS OF FINANCIAL CONDITION

The information required by this item is presented in pages 13 through 27 of the Company's 1998 Annual Report to Shareholders which is Exhibit 13 to this Form 10-K, and is incorporated by reference into this Item 7.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 1998, the Company does not have any significant concentration of business transacted with a particular customer, supplier or lender that could, if suddenly eliminated, severely impact its operations. However, a portion of the Company's revenues is derived from services provided to others in the telecommunications industry, mainly resellers of long distance telecommunications service. Accordingly, the Company periodically performs ongoing credit evaluations of its larger customers' financial condition to limit credit risk to the extent possible.

The Company is also exposed to market risk from changes in interest rates on long-term debt obligations that impact the fair value of these obligations. The Company's policy is to manage interest rates through the use of a combination of fixed and variable rate debt, and to periodically use interest rate swaps to manage its risk profile.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP, dated January 25, 1999, is presented on pages 28

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through 49 of the Company's 1998 Annual Report to Shareholders, which is Exhibit 13 to this Form 10-K and is incorporated by reference into this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

The information required by this item for the Directors of Frontier Corporation is presented on pages 2 through 4 of the definitive proxy statement provided to shareholders on or about March 12, 1999 in connection with the Annual Meeting of Shareholders to be held April 29, 1999, which is Exhibit 99 to this Form 10-K and is incorporated by reference into this Item 10. Exhibit 99 consists of the Notice of Annual Meeting and the Company's Proxy Statement for the April 29, 1999 Annual Meeting of Shareholders.

Executive Officers

Certain information is set forth below regarding the Executive Officers of the Company as of March 22, 1999. Each officer serves for a period of one year or until a successor is elected.

<TABLE>

<CAPTION>

Name (Age)	Position and Offices Held	Other Positions Held During the Past Five Years
<S> Robert L. Barrett (57)	<C> Executive Vice President and President - Technology since December 1998	<C> From March 1996 to December 1998 he was also President-Network Systems & Services. From May 1995 to March 1996 he was President and Executive Vice President and Chief Technology Officer of Banc One Corporation1. From May 1991 to May 1995 he was President and Chief Operating Officer of Banc One Services Corporation./1/
David R. Carey (45)	Senior Vice President -	From December 1995 to March 1997 he was Chief Executive

</TABLE>

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<TABLE>

<S>	<C> Marketing since October 1997	<C> Officer and President of LG&E Natural Inc. From January 1994 to December 1995 he was Senior Vice President - Operations of Louisville Gas & Electric Co./2/
Jeremiah T. Carr (55)	Executive Vice President and President - Frontier Operations since January 1997	From May 1995 to January 1997 he was Senior Vice President. From January 1995 to May 1995 he was President and Chief Executive Officer of Frontier Telephone of Rochester, Inc. and President-Telephone Group. From November 1993 to December 1994 he was Corporate Vice President and President - Telephone Group.
Joseph P. Clayton (49)	Chief Executive Officer since March 1999	From August 1997 to March 1999 he was Chief Executive Officer and President. From June 1997 to August 1997 he was President and Chief Operating Officer. From March 1992 to December 1996 he was Executive Vice President-Marketing & Sales--Americas & Asia of Thomson Multimedia./3/
Donald F. Detampel (43)	Senior Vice President and President-Frontier GlobalCenter since December 1998	From February 1996 to December 1998 he was President-Frontier ConferTech. From April 1990 to February 1996 he was President - Schneider Communications.
James G. Dole (40)	Senior Vice President since October 1997	From October 1997 to December 1998 he was also Controller. From August 1997 to October 1997 he was Vice President and Controller. From January 1995 to August 1997 he was Vice President - Business Development. From November 1993 to January 1995 he was Corporate Strategic Planning Director.
Joseph Enis (54)	Treasurer since	From June 1994 to December 1994

</TABLE>

<TABLE>

<S>	<C>	<C>
	January 1995	he was Director of Finance. From 1992 to June 1994 he was Treasurer of National Service Industries./4/
Rolla P. Huff (42)	President and Chief Operating Officer since March 1999	From June 1998 to March 1999 he was Executive Vice President and Chief Financial Officer. From August 1983 to June 1998 he held various management positions with AT&T, including President of Central US AT&T Wireless./5/
Martin T. McCue (48)	Senior Vice President and General Counsel since January 1998	Since July 1997 he serves as General Counsel to the Company. From July 1997 to January 1998 he was Vice President and General Counsel. From January 1995 to July 1997 he was Corporate Vice President - Legal, Planning and Regulatory. From April 1994 to January 1995 he was Corporate Vice President - Planning & Legal. From December 1993 to April 1994 he was Corporate Vice President - Planning.
Donna L. Reeves-Collins (38)	Senior Vice President and President - Sales since October 1997	From September 1996 to October 1997 she was President - Western Region Long Distance Sales. From December 1994 to September 1996 she was President and Chief Operating Officer of Upstate Cellular Network (a joint venture). From September 1993 to December 1994 she was Vice President-Consumer Service Long Distance.
Josephine S. Trubek (56)	Corporate Secretary since April 1993	From January 1990 to April 1993 she was General Counsel and Secretary.

</TABLE>

- /1/ Banc One is one of the largest bank holding companies in the U.S. Banc One Services Corporation is a subsidiary of Banc One.
- /2/ Louisville Gas & Electric Co. is a public utility corporation.
- /3/ Thomson Multimedia is one of the largest manufacturers of consumer electronics in the world.
- /4/ National Service Industries is a public company with businesses in lighting, textile rentals and specialty chemicals.
- /5/ AT&T Corp. is the largest telecommunications provider in the U.S. AT&T Wireless is a subsidiary of AT&T.

Section 16(a) Beneficial Ownership Reporting Compliance

The information required by this item for the compliance with section 16(a) of the Exchange Act is presented on page 7 of the definitive proxy statement provided to shareholders on or about March 12, 1999 in connection with the Annual Meeting of Shareholders to be held April 29, 1999, which is Exhibit 99 to this Form 10-K and is incorporated by reference into this Item 10. Exhibit 99 consists of the Notice of Annual Meeting and the Company's Proxy Statement for

the April 29, 1999 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is presented on page 6 of the Company's Proxy Statement (which was provided to shareholders on or about March 12, 1999 in connection with the Annual Meeting of Shareholders to be held on April 29, 1999) under the caption "Compensation of Directors" and on pages 8 through 18 under the captions "Report of Committee on Management," "Performance Graph," "Compensation of Company Management," and "Compensation Committee Interlocks and Insider Participation in Compensation Decisions," and is incorporated by reference into this Item 11. The Company's Proxy Statement is found at Exhibit 99 to this Form 10-K. Exhibit 99 consists of the Notice of Annual Meeting and the Company's Proxy Statement for the April 29, 1999 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is presented in the "Management and Directors Stock Ownership Table as of February 12, 1999" and the "Stock Ownership of Certain Beneficial Owners Table as of December 31, 1998" under the caption "Stock Ownership of Management, Directors and Certain Beneficial Owners" on pages 6 through 7 of the definitive Proxy Statement for the Annual

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Meeting of Shareholders to be held April 29, 1999, and is incorporated by reference into this Item 12.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is presented under the sub-caption "Employment Contracts" on page 17 of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held April 29, 1999 and is incorporated by reference into this Item 13.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) 1. Index to Financial Statements

	Page*

Report of Management	28
Report of Audit Committee	28
Report of Independent Accountants	28
Business Segment Information	29
Consolidated Statements of Income	30
Consolidated Balance Sheets	31
Consolidated Statements of Cash Flows	32
Consolidated Statements of Shareholders' Equity	33
Notes to Consolidated Financial Statements	34-49

*Pages 28 through 49 are incorporated by reference from the indicated pages of the 1998 Annual Report to Shareholders.

2. Financial Statement Schedule for the years ended December 31, 1998, 1997 and 1996:

Report of Independent Accountants on Financial Statement Schedule
Schedule II - Valuation and Qualifying Accounts and Reserves

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. See Exhibit Index for list of exhibits filed with this report.

The Registrant hereby agrees to furnish the Commission a copy of each of the Indentures or other instruments defining the rights of security holders of the long-term debt securities of the Registrant and any of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended December 31, 1998.

The following reports on Form 8-K were filed subsequent to the quarter ended December 31, 1998 through March 19, 1999.

SEC Filing Date	Item No.	Financial Statements
-----	-----	-----
1/26/99	5	Yes
1/26/99	5	Yes
3/19/99	5,7	No

(c) Refer to Item 14(a)(3) above for Exhibits required by Item 601 of Regulation S-K.

(d) Schedules other than set forth in response to Item 14(a)(2) above for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and
Shareholders of
Frontier Corporation

Our audits of the consolidated financial statements referred to in our report dated January 25, 1999 appearing on page 28 of the 1998 Annual Report to Shareholders of Frontier Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, based on our audits, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP
January 25, 1999
Rochester, New York

FRONTIER CORPORATION
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES FOR THE YEAR
ENDED DECEMBER 31, 1998
(Table 1 of 3)

In thousands of dollars

<TABLE>
<CAPTION>

Description	Balance at beginning of year	Additions		Deductions	Balance at end of year
		Charged to costs and expenses	Charged to other accounts		
Reserve for uncollectible accounts	\$25,100	\$74,587	\$10,159 (1)	\$71,890 (2)	\$37,956
Deferred tax asset valuation allowance	\$22,906	\$0	\$0	\$3,467	\$19,439
Acquisition related reserves	\$4,198	\$0	\$0	\$4,198	\$0
Restructuring reserves	\$16,200	\$0	\$0	\$16,200	\$0

</TABLE>

(1) Primarily recoveries of uncollectible accounts.

(2) Uncollectible accounts written off.

(3) Included primarily in "Property, plant, and equipment" in the Consolidated Balance Sheets.

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FRONTIER CORPORATION
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES FOR THE
YEAR ENDED DECEMBER 31, 1997
(Table 2 of 3)

In thousands of dollars

<TABLE>
<CAPTION>

Description	Balance at beginning of year	Additions		Deductions	Balance at end of year
		Charged to costs and expenses	Charged to other accounts		
Reserve for uncollectible accounts	\$31,519	\$54,216	\$9,030 (1)	\$69,665 (2)	\$25,100
Deferred tax asset valuation allowance	\$21,066	\$5,528	\$0	\$ 3,688	\$22,906
Acquisition related reserves	\$40,796	\$0	\$0	\$36,598	\$ 4,198 (3)
Restructuring reserves	\$0	\$43,000	\$0	\$26,800	\$16,200 (4)

</TABLE>

- (1) Primarily recoveries of uncollectible accounts.
- (2) Uncollectible accounts written off.
- (3) Included primarily in "Property, plant, and equipment" in the Consolidated Balance Sheets.
- (4) Included primarily in "Other liabilities" in the Consolidated Balance Sheets.

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FRONTIER CORPORATION
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES FOR THE
 YEAR ENDED DECEMBER 31, 1996
 (Table 3 of 3)

In thousands of dollars

<TABLE>
 <CAPTION>

Description	Balance at beginning of year	Additions		Deductions	Balance at end of year
		Charged to costs and expenses	Charged to other accounts		
Reserve for uncollectible accounts	\$28,515	\$76,184	\$10,102 (1)	\$83,282 (2)	\$31,519
Deferred tax asset valuation allowance	\$23,887	\$1,605	\$0	\$ 4,426	\$21,066
Acquisition related reserves	\$83,149	\$0	\$0	\$42,353	\$40,796 (3)

</TABLE>

- (1) Primarily recoveries of uncollectible accounts.
- (2) Uncollectible accounts written off.
- (3) Included primarily in "Property, plant and equipment" in the Consolidated Balance Sheets.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRONTIER CORPORATION
 (Registrant)

By: /s/Joseph P. Clayton

 Joseph P. Clayton
 Chief Executive Officer
 Date: March 22, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Joseph P. Clayton

 Joseph P. Clayton
 Chief Executive Officer
 and Director

By: /s/Rolla P. Huff

 Rolla P. Huff
 President and
 Chief Operating Officer

*

Patricia C. Barron
Date: March 22, 1999

Raul E. Cesan
Date: March 22, 1999

*

Brenda E. Edgerton
Date: March 22, 1999

Jairo A. Estrada
Date: March 22, 1999

*

Michael E. Faherty
Date: March 22, 1999

Alan C. Hasselwander
Date: March 22, 1999

*

Eric Hippeau
Date: March 22, 1999

Robert J. Holland, Jr.
Date: March 22, 1999

*

Douglas H. McCorkindale
Date: March 22, 1999

James F. McDonald
Date: March 22, 1999

*

Leo J. Thomas
Date: March 22, 1999

*By: /s/ Rolla P. Huff

Rolla P. Huff
Attorney-in-Fact

Manually signed powers of attorney for each Director are attached hereto and filed herewith pursuant to Regulation S-K Item 601(b)24 as Exhibit 24.

FRONTIER CORPORATION
EXHIBIT INDEX

Exhibit Number	Exhibit Description	Reference
3.1	Restated Certificate of Incorporation dated January 24, 1995	Incorporated by reference to Exhibit 3.1 to Form 10-K for the year ended December 31, 1995
3.2	Amendment to Restated Certificate of Incorporation dated April 9, 1995	Incorporated by reference to Exhibit 3.2 to Form 10-K for the year ended December 31, 1995
3.3	By-Laws	Filed herewith
4.1	Indenture between the Company and Manufacturers Hanover Trust Company, Trustee, dated September 1, 1986	Incorporated by reference to Exhibit 4.12 to Form 10-K for the year ended December 31, 1986
4.2	First Supplemental Indenture made by the Company to Manufacturers Hanover Trust Company, Trustee, dated December 1, 1989	Incorporated by reference to Exhibit 4(b) to Registration Statement 33-32035
4.3	10.46% Non Negotiable Convertible Debenture due October 27, 2008 from the Company to The Walters Trust	Incorporated by reference to Exhibit 4.14 to Form 10-K for the year ended December 31, 1988

4.4	9% Debenture due August 15, 2021	Incorporated by reference to Exhibit 4.16 to Form 10-K for the year ended December 31, 1991
4.5	Indenture between the Company and Chase Manhattan Bank, N.A. dated August 9, 1995	Incorporated by reference to Exhibit 4.5 to Form 10-K for the year ended December 31, 1995
4.6	Indenture, dated May 21, 1997 between the Company and Chase Manhattan Bank, NA as Trustee	Incorporated by reference to Exhibit 4.1 to Form 8-K filed May 23, 1997

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4.7	Supplemental Indenture between the Company and Chase Manhattan Bank, NA as Trustee	Incorporated by reference to Exhibit 4.7 to Form 10-K for the year ended December 31, 1997
4.8	\$200 Million Credit Agreement dated November 10, 1998 with Chase Manhattan Bank, Fleet Bank, Marine Midland Bank	Filed herewith
4.9	\$275 Million Credit Agreement dated November 10, 1998 with Chase Manhattan Bank, Fleet Bank, Marine Midland Bank	Filed herewith
10.1	Joint Venture Agreement dated March 9, 1993 by and between Rochester Tel Cellular Holding Corporation and New York Cellular Geographic Service Area, Inc. together with Exhibit A thereto	Incorporated by reference to Exhibit 10.13 to Form 10-K for the year ended December 31, 1992
10.2	Plan for the Deferral of Directors Fees	Incorporated by reference to Exhibit 10.34 to Form 10-K for the year ended December 31, 1994
10.3	Directors' Common Stock Deferred Growth Plan	Incorporated by reference to Exhibit 10.36 to Form 10-K for the year ended December 31, 1994
10.4	Management Stock Incentive Plan dated April 26, 1995	Incorporated by reference to Exhibit 10.23 to Form 10-K for the year ended December 31, 1995
10.5	Executive contract with supporting offer letter for Mr. Barrett	Incorporated by reference to Exhibit 10.25 to Form 10-Q for the quarter ended March 31, 1996

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10.6	Restated Directors Stock Incentive Plan dated April 24, 1996	Incorporated by reference to Exhibit 10.27 to Form 10-Q for the quarter ended March 31, 1996
10.7	Employee Stock Option Plan	Incorporated by reference to Exhibit 10.28 to Form 10-Q for the quarter ended March 31, 1996

10.8	IRU Agreement between Qwest Frontier Communications International Communications Corp. and Inc. dated October 18, 1996. (CONFIDENTIAL TREATMENT GRANTED FOR CERTAIN PORTIONS OF THIS EXHIBIT)	Incorporated by reference to Exhibit 10.11 to Form 10-K for the year ended December 31, 1996
10.9	Restated Supplemental Management Pension Plan	Incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 1996
10.10	Restated Supplemental Retirement Savings Plan	Incorporated by reference to Exhibit 10.13 to Form 10-K for the year ended December 31, 1996
10.11	Form of management contracts as amended with each of Messrs. Massaro and Carr	Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended December 31, 1996
10.12	Form of management contracts with Ms. Reeves-Collins and Mr. Carey	Incorporated by reference to Exhibit 10.21 to Form 10-Q for the quarter ended September 30, 1997
10.13	Amendment No. 1 to the Management Stock Incentive Plan	Incorporated by reference to Exhibit 10.22 to Form 10-Q for the quarter ended September 30, 1997
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10.14	Amendment No. 1 to Supplemental Management Pension Plan	Incorporated by reference to Exhibit 10.21 to Form 10-K for the year ended December 31, 1997
10.15	Executive contract with Mr. Clayton, effective January 1, 1998	Incorporated by reference to Exhibit 10.15 to Form 10-K for the year ended December 31, 1997
10.16	Service Continuation Agreement with collateral documentation with Mr. Massaro, effective December 29, 1997	Incorporated by reference to Exhibit 10.24 to Form 10-K for the year ended December 31, 1997
10.17	Management contract with Mr. McCue, effective January 1, 1998	Incorporated by reference to Exhibit 10.25 to Form 10-K for the year ended December 31, 1997
10.18	Executive contract with Mr. Huff, effective May 22, 1998	Incorporated by reference to Exhibit 10.1 to Registration Statement 333-72333 filed February 12, 1999
10.19	1998 Executive Compensation Program	Filed herewith
10.20	Amendment No. 1 to Employees' Stock Option Plan	Filed herewith
10.21	Amendment No. 2 to Management Stock Incentive Plan	Filed herewith
10.22	Amendment No. 3 to the Management Stock Incentive Plan	Filed herewith
10.23	Amendment No. 2 to Supplemental	Filed herewith

Management Pension Plan

- 10.24 Executive contract with Mr. Detampel Filed herewith
- 10.25 Pension Bridging Agreement with Filed herewith

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Mr. McCue

- 11 Computation of Diluted Earnings Per Share Filed herewith
- 13 Specified portions (pages 13 through 49 of the Company's Annual Report to Shareholders for the year ended December 31, 1998 Filed herewith
- 21 Subsidiaries of Frontier Corporation Filed herewith
- 23 Consent of Independent Accountants - PricewaterhouseCoopers LLP Filed herewith
- 24 Power of Attorney for a majority of Directors naming Josephine S. Trubek attorney-in-fact Filed herewith
- 27 Financial Data Schedule Filed herewith
- 99 Proxy Statement for the Annual Meeting of Shareholders Filed herewith

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Exhibit 3.3

FRONTIER CORPORATION

By-Laws

As Revised Effective March 21, 1983

(And as amended 7/16/84, 11/19/84, 2/17/86, 2/16/87,
4/22/87, 11/20/89, 2/19/90, 11/19/90, 4/24/91, 4/29/92, 4/21/93,
4/27/94, 9/19/94, 1/1/95, 4/26/95, 8/16/95, 1/22/96, 4/30/96,
6/16/97, 9/15/97, 3/1/98, 4/29/98, 10/12/98, 12/1/98)

ARTICLE I

SHAREHOLDERS

Section 1 - Annual Meeting.

An annual meeting of shareholders for the election of Directors and the transaction of other business shall be held at such time on any day in the month of April in each year or on such other date as shall be fixed by the Board of Directors.

Section 2 - Special Meetings.

Special Meetings of the shareholders may be called by the Board of Directors. Such meeting shall be held at such time as may be fixed in the notice of meeting.

Section 3 - Place of Meeting.

Meetings of shareholders shall be held at such place, within or without the State of New York, as may be fixed in the notice of meeting.

Section 4 - Notice of Meeting.

Notice of each meeting of shareholders shall be in writing and shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called.

A copy of the notice of any meeting shall be given, personally, or by

mail, not less than ten or more than fifty days before the date of the meeting, to each shareholder entitled to vote at such meeting. If mailed, such notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at the shareholder's address as it appears on the record of shareholders, or, if the shareholder shall have filed with the Secretary of the Corporation a written request that notices be mailed to some other address, then directed to the shareholder at such other address.

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(2)

Section 5 - Inspectors of Election.

The Board of Directors, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote at such meeting shall, appoint two inspectors. Each inspector, before entering upon the discharge of the inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of the inspector's ability.

The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote at such meeting, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the

facts stated and of the vote as certified by them.

Section 6 - List of Shareholders at Meeting.

A list of shareholders as of the record date, certified by the Secretary or any Assistant Secretary or by the Transfer Agent, if any, shall be produced at the meeting of shareholders upon the request of any shareholder at such meeting or prior thereto. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding at such meeting, shall require such list of shareholders to be produced as evidence of the right of the persons

challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote at such meeting may vote at such meeting.

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(3)

Section 7 - Qualification of Voters.

Every shareholder of record of common stock of the Corporation shall be entitled at every meeting of shareholders to one vote for every share of common stock held by the shareholder in the shareholder's name on the record of shareholders, subject, however, to the voting rights granted to the holders of Cumulative Preferred Stock of the Corporation upon default in dividends thereon.

Section 8 - Quorum of Shareholders.

The holders of a majority of the shares entitled to vote at such meeting shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified item of business.

The shareholders present, in person or by proxy, and entitled to vote may, by a majority of votes cast, adjourn the meeting despite the absence of a quorum.

Section 9 - Vote of Shareholders.

Directors shall, except as otherwise required by law, or by the certificate of incorporation as permitted by law, be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election.

Whenever any corporate action, other than the election of Directors, is to be taken by vote of the shareholders, it shall, except as otherwise required by law, or by the certificate of incorporation as permitted by law, be authorized by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon.

Section 10 - Proxies.*

Every shareholder entitled to vote at a meeting of shareholders or to

express consent or dissent without a meeting may authorize another person or persons to act for that shareholder by proxy. Any proxy may be transmitted, authorized or executed in any manner permitted by the New York Business Corporation Law. No proxy shall be valid after the expiration of eleven months from the

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*Revised 3/1/98

(4)

date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it except in those cases where an irrevocable proxy permitted by statute has been given.

Section 11 - Fixing Record Date.**

For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

Section 12 - Order of Business.*

The order of business at each meeting of shareholders shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the voting polls.

At any special meeting of shareholders, only such business may be transacted which is related to the purpose or purposes set forth in the notice of such meeting.

At any annual meeting of shareholders, only such business (other than the nomination or election of directors) shall be conducted as shall have been brought before the annual meeting (i) by or at the direction of the chairman of the meeting or (ii) by any shareholder who is a holder of record at the time of the giving of the notice provided for in this Section 12, who is or will be

entitled to vote at the meeting and who complies with the procedures set forth in this Section 12.

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*Revised 9/19/94

**Revised 3/1/98

(5)

For business (other than the nomination or election of directors) properly to be brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in proper written form to the Secretary. To be timely, a shareholder's notice must be addressed to the Secretary and delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that

the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the shareholder to be timely must be so delivered or received not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. To be in proper written form, a shareholder's notice to the Secretary shall set forth in writing as to each matter the shareholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (iii) the class and number of shares of the Corporation which are beneficially owned by the shareholder; (iv) a representation that the shareholder is or will be entitled to vote at such annual meeting and intends to appear in person (or send a qualified representative) or by proxy to present such proposal at the meeting; and (v) any material interest of the shareholder in such business. The foregoing notice requirements shall be deemed satisfied by a shareholder if the shareholder has notified the Corporation of his or her intention to present a proposal at an annual meeting and such shareholder's proposal has been included in a proxy statement that has been prepared by management of the Corporation to solicit proxies for such annual meeting; provided, however, that if such shareholder

does not appear in person (or send a qualified representative) or by proxy to present such proposal at such annual meeting, the Corporation need not present such proposal for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation. Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 12. The chairman of an annual meeting shall, if the facts warrant, determine that business was not properly brought before the annual meeting in accordance with the provisions of this

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(6)

Section 12 and, if he should so determine, he shall so declare to the annual meeting and any such business not properly brought before the annual meeting shall not be transacted and any proposal contemplated by such business shall be void.

ARTICLE II

BOARD OF DIRECTORS

Section 1 - Power of Board and Qualification of Directors.

The business of the Corporation shall be managed under the direction of its Board of Directors, each of whom shall be at least twenty-one years of age.

Section 2 - Number of Directors.*

At the annual meeting of shareholders, the shareholders shall elect twelve directors.

Section 3 - Election, Term and Qualifications of Directors.

At each annual meeting of shareholders, Directors shall be elected to hold office until the next annual meeting and until their successors have been elected and qualified. No person shall be eligible for election or reelection to the Board of Directors after reaching seventy years of age, or in the case of a retired Chairman of the Board of Directors or a retired President of the Corporation, after reaching sixty-seven years of age. The term of any Director who is also an Officer of the Corporation or any subsidiary of the Corporation, other than the Chairman of the Board or the President of the Corporation, shall end on the date of termination from active employment and such officer shall thereafter be ineligible for reelection to the Board of Directors.

Section 4 - Quorum of the Board: Action by the Board.

One-third of the entire Board of Directors shall constitute a quorum for the transaction of business, and the vote of a majority

3/21/83

*Revised 7/16/84, 2/17/86, 11/20/89, 2/19/90, 11/19/90, 4/24/91, 4/27/94,

(7)

of the Directors present at the time of such vote, if a quorum is then present, shall be the act of the Board.

Section 5 - Action Without a Meeting.

Any action required or permitted to be taken by the Board or any committee thereof may be taken without a meeting if all members of the Board or of the committee consent in writing to the adoption of the resolution authorizing the action. The resolution and the written consents thereto by the members of the Board or committee shall be filed with the minutes of the proceedings of the Board or committee.

Section 6 - Participation in Board Meetings by Conference Telephone.

Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 7 - Meetings of the Board.

An annual meeting of the Board of Directors shall be held in each year directly after adjournment of the annual shareholders' meeting. Regular meetings of the Board shall be held at such times as may from time to time be fixed by resolution of the Board. Special meetings of the Board may be held at any time upon the call of the Chairman of the Board of Directors, if such there be, the President or any two Directors.

Meetings of the Board of Directors shall be held at such place, within or without the State of New York, as from time to time may be fixed by resolution of the Board for annual and regular meetings and in the notice of meeting for special meetings. If no place is so fixed, meetings of the Board shall be held at the office of the Corporation in Rochester, New York.

No notice need be given of annual or regular meetings of the Board of Directors. Notice of each special meeting of the Board shall be given by oral, telegraphic or written notice, duly given or sent or mailed to each Director not less than one (1) day before such meeting.

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Section 8 - Resignation.

Any Director may resign at any time by giving written notice to the Chairman of the Board of Directors, if such there be, to the President or to the Secretary. Such resignation shall take effect at the time specified in such written notice, or if no time be specified, then on delivery. Unless otherwise specified in the written notice, the acceptance of such resignation by the Board of Directors shall not be needed to make it effective.

Section 9 - Newly Created Directorships and Vacancies.

Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board of Directors may be filled by vote of the Board. If the number of the directors then in office is less than a quorum, such newly created directorships and vacancies may be filled by vote of a majority of the directors then in office. A director elected to fill a vacancy shall be elected to hold office for the unexpired term of such director's predecessor.

Section 10 - Executive and Other Committees of Directors.*

The Board of Directors, by resolution, adopted by a majority of the entire Board, shall designate from among its members an Executive Committee consisting of three or more Directors, a majority of whom are outside directors.

The Executive Committee shall have all the authority of the Board, except that it shall not have authority as to the following matters:

- (1) The submission to shareholders of any action that needs shareholders' approval;
- (2) The filling of vacancies in the Board or in any committee;
- (3) The amendment or repeal of the By-Laws, or the adoption of new By-Laws;
- (4) The amendment or repeal of any resolution of the Board which, by its terms, shall not be so amendable or repealable;
- (5) The fixing of compensation of the directors for serving on the Board or on any Committee;

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*Revised 11/19/84, 4/22/87, 4/29/92, 4/21/93, 8/16/95

(6) The fixing or amendment of the compensation, benefits and perquisites of the chief executive officer.

The Board of Directors, by resolution by a majority of the entire Board, may designate from among its members an Audit Committee consisting of three or more outside directors. The Audit Committee shall, among other things, review the scope of audit activities, review with management significant issues concerning litigation, contingencies or other material matters which may result in either potential liability of the Company or significant exposure to the Company, review significant matters of corporate ethics, review security methods and procedures, review the financial reports and notes, and make reports and recommendations with respect to audit activities, findings, and reports of the independent public accountants and the internal audit staff of the Company.

The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members a Committee on Directors consisting of three or more outside directors. The Committee on Directors shall, among other things, review performance of incumbent directors, act as a nominating committee, and consider and report to the entire Board of Directors on all matters relating to the selection, qualification, compensation and duties of the members of the Board of Directors and any committees of the Board of Directors.

The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members a Committee on Management consisting of three or more outside directors. The Committee on Management shall, among other things, fix or amend the compensation, benefits and perquisites of all executive officers of the Company and recommend such for the chief executive officer, select and administer executive compensation plans and employee benefit plans which have Company stock as an investment option, review succession planning for the Company and review with management significant human resources issues. The compensation, benefits and perquisites of the chief executive officer shall be set by the outside directors of the full Board upon the recommendation of the Committee on Management.

The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members other committees each consisting of three or more directors.

Unless a greater proportion is required by the resolution designating a committee of the Board of Directors, a quorum for the transaction of business of a committee shall consist of (a) a

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majority of the entire authorized number of members of the Executive Committee

or (b) one-third of the entire authorized number of members of any other committee of the Board of Directors, but in no event fewer than two persons. The vote of a majority of the members of a committee present at the time of the vote concerning the transaction of business of that committee or of any specified item of business of that committee if a quorum is present at such time, shall be the act of such committee.

Any committee may fix the time and place of holding its regular meetings and, if so fixed, no notice of such regular meeting shall be necessary. Special meetings of any committee may be called at any time by the Chairman of the Board of Directors, if such there be, by the chief executive officer, by the President, by the Chairperson of that committee, or by any two members of that committee. Notice of each special meeting of any committee shall be given by oral, telegraphic or written notice, including notice via facsimile machine, duly given or sent or mailed to each member of that committee not less than one day before such meeting.

Section 11 - Compensation of Directors.

The Board of Directors shall have authority to fix the compensation of directors for services in any capacity.

Section 12 - Indemnification.*

(a) Generally.

To the full extent authorized or permitted by law, the Corporation shall indemnify any person ("indemnified Person") made, or threatened to be made, a party to any action or proceeding, whether civil, at law, in equity, criminal, administrative, investigative or otherwise, including any action by or in the right of the Corporation, by reason of the fact that he, his testator or intestate, ("Responsible Person"), whether before or after adoption of this Section 12, (1) is or was a director or officer of the Corporation, or (2), if a director or officer of the Corporation, is serving or served, in any capacity, at the request of the Corporation, any other corporation, or any partnership, joint venture, trust, employee benefit plan or other enterprise, or (3), if not a director or officer of the Corporation, is serving or served, at the request of the

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*Revised 2/16/87

Corporation, as a director or officer of any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise,

against all judgments, fines, penalties, amounts paid in settlement (provided the Corporation shall have given its prior consent to such settlement, which consent shall not be unreasonably withheld by it) and reasonable expenses, including attorneys' fees, incurred by such Indemnified Person with respect to any such threatened or actual action or proceeding, and any appeal therein, provided only that (x) acts of the Responsible Person which were material to the cause of action so adjudicated or otherwise disposed of were not (i) committed in bad faith or (ii) were not the result of active and deliberate dishonesty, and (y) the Responsible Person did not personally gain in fact a financial profit or other advantage to which he was not legally entitled.

(b) Advancement of Expenses.

All expenses reasonably incurred by an Indemnified Person in connection with a threatened or actual action or proceeding with respect to which such person is or may be entitled to indemnification under this Section 12 shall be advanced or promptly reimbursed by the Corporation to him in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by him or on his behalf to repay the amount of such advances, if any, as to which he is ultimately found not to be entitled to indemnification or, where indemnification is granted, to the extent such advances exceed the indemnification to which he is entitled. Such person shall cooperate in good faith with any request by the Corporation that common counsel be used by the parties to an action or proceeding who are similarly situated unless to do so would be inappropriate due to an actual or potential conflict of interest.

(c) Procedure for Indemnification.

(1) Not later than thirty (30) days following final disposition of an action or proceeding with respect to which the Corporation has received written request by an Indemnified Person for indemnification pursuant to this Section 12, if such indemnification has not been ordered by a court, the Board of Directors shall meet and find whether the Responsible Person met the standard of conduct set forth in paragraph (a) of this Section 12, and, if it finds that he did, or to the extent it so finds, shall authorize such indemnification.

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(12)

(2) Such standard shall be found to have been met unless (a) a judgment or other final adjudication adverse to the Indemnified Person establishes that subparagraphs (x) or (y) of paragraph (a) of this Section 12 were violated, or (b) if the action or proceeding was disposed of other than by judgment or other final adjudication, the Board finds in good faith that, if it had been disposed of by judgment or other final adjudication, such judgment or other final adjudication would have been adverse to the Indemnified Person and would have

established a violation of subparagraphs (x) or (y) of paragraph (a) of this Section 12.

(3) If indemnification is denied, in whole or part, because of an adverse finding by the Board in the absence of a judgment or other final adjudication, or because the Board believes the expenses for which indemnification is requested to be unreasonable, such action by the Board shall in no way affect the right of the Indemnified Person to make application therefor in any court having jurisdiction thereof, and in such action or proceeding the issue shall be whether the Responsible Person met the standard of conduct set forth in paragraph (a) of this Section 12, or whether the expenses were reasonable, as the case may be (not whether the finding of the Board with respect thereto was correct) and the determination of such issue shall not be affected by the Board's finding. If the judgment or other final adjudication in such action or proceeding establishes that the Responsible Person met the standard set forth in paragraph (a) of this Section 12, or that the disallowed expenses were reasonable, or to the extent that it does, the Board shall then find such standard to have been met or the expenses to be reasonable, and shall grant such indemnification, and shall also grant to the Indemnified Person indemnification of the expenses incurred by him in connection with the action or proceeding resulting in the judgment or other final adjudication that such standard of conduct was met, or if pursuant to such court determination such person is entitled to less than the full amount of indemnification denied by the Corporation, the portion of such expenses proportionate to the amount of such indemnification so awarded.

(4) A finding by the Board pursuant to this paragraph (c) that the standard of conduct set forth in paragraph (a) of this Section 12 has been met shall mean a finding of the Board or shareholders as provided by law.

(d) Contractual Article.

This Section 12 shall be deemed to constitute a contract between the Corporation and each person who is a Responsible Person

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at any time while this Section 12 is in effect. No repeal or amendment of this Section 12, insofar as it reduces the extent of the indemnification of any person who could be a Responsible Person shall without his written consent be effective as to such person with respect to any event, act or omission occurring or allegedly occurring prior to (1) the date of such repeal or amendment if on that date he is not serving in any capacity for which he could be a Responsible Person, or (2) the thirtieth (30th) day following delivery to him of written notice of such repeal or amendment as to any capacity in which he is serving on the date of such repeal or amendment, other than as a director or officer of the Corporation, for which he could be a Responsible Person, or (3) the later of the

thirtieth (30th) day following delivery to him of such notice or the end of the term of office (for whatever reason) he is serving as director or officer of the Corporation when such repeal or amendment is adopted, with respect to being a Responsible Person in that capacity. No amendment of the Business Corporation Law shall, insofar as it reduces the permissible extent of the right of indemnification of a Responsible Person under this Section 12, be effective as to such person with respect to any event, act or omission occurring or allegedly occurring prior to the effective date of such amendment irrespective of the date of any claim or legal action in respect thereto. This Section 12 shall be binding on any successor to the Corporation, including any corporation or other entity which acquires all or substantially all of the Corporation's assets.

(e) Non-exclusivity.

The indemnification provided by this Section 12 shall not be deemed exclusive of any other rights to which any person covered hereby may be entitled other than pursuant to this Section 12. The Corporation is authorized to enter into agreements with any such person or persons providing them rights to indemnification or advancement of expenses in addition to the provisions therefor in this Section 12 to the full extent permitted by law.

Section 13 - Notification of Nominations.*

Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of Directors may be made by the Board of Directors or by any shareholder who is a

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shareholder of record at the time of the giving of the notice of nomination provided for in this Section 13 and who is entitled to vote for the election of Directors. Any shareholder of record who is or will be entitled to vote for the election of Directors at a meeting may nominate persons for election as Directors only if timely written notice of such shareholder's intent to make such nomination is given to the Secretary. To be timely, a shareholder's notice must be addressed to the Secretary and delivered to or mailed and received at the principal executive offices of the Corporation (i) with respect to an election to be held at an annual meeting of shareholders, not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the date of the annual

meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the shareholder to be timely must be so delivered or

received not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made and (ii) with respect to an election to be held at a special meeting of shareholders for the election of Directors, not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees to be elected at such meeting. Each such notice shall set forth: (a) the name and address, as they appear on the Corporation's books, of the shareholder who intends to make the nomination, and the name and address of the person or persons to be nominated; (b) the class and number of shares of the Corporation which are beneficially owned by the shareholder; (c) a representation that the shareholder is or will be entitled to vote at the meeting and intends to appear in person (or send a qualified representative) or by proxy at the meeting to nominate the person or persons specified in the notice; (d) a description of all arrangements or understandings between the shareholder and such nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (e) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (f) the consent of each nominee to serve as a Director of the

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Corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made after compliance with the foregoing procedure. Only such persons who are nominated in accordance with the procedures set forth in this Section 13 shall be eligible to serve as Directors of the Corporation and any purported nomination or purported election not made in accordance with the procedures set forth in this Section 13 shall be void.

ARTICLE III

OFFICERS

Section 1 - Officers.

The Board of Directors, as soon as may be practicable after the annual election of directors, may elect a Chairman of the Board of Directors and shall elect a President, one or more Vice Presidents (one or more of whom may be designated Executive Vice President), a Secretary and a Treasurer, and such

other officers as it may determine. Any two or more offices may be held by the same person, except the office of President and Secretary.

Section 2 - Term of Office and Removal.

Each officer shall hold office for the term for which each officer is elected or appointed, and until a successor has been elected or appointed and qualified.

Section 3 - Powers and Duties.

The officers of the Corporation shall each have such powers and authority and perform such duties in the management of the Corporation as set forth in these By-Laws and as from time to time prescribed by the Board of Directors. To the extent not set forth in these By-Laws or so prescribed by the Board of Directors, they shall each have such powers and authority and perform such duties in the management of the Corporation, subject to the control of the Board, as generally pertain to their respective offices.

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In addition to the powers and authority above, each officer has the powers and duties set out below.

(a) Chairman of the Board of Directors

The Chairman of the Board of Directors, if such there be, shall preside at all meetings of the Board. The Chairman of the Board of Directors may be the chief executive officer of the Corporation, and if so designated, may preside at all meetings of shareholders.

(b) President

The President shall be the chief operating officer and shall have responsibility for the general management of the business of the Corporation, subject only to the supervision of the Board of Directors, the Executive Committee and the Chairman of the Board of Directors, as chief executive officer, if such there be. If there is no Chairman of the Board of Directors or if the Chairman of the Board of Directors is not the chief executive officer, then the President shall be the chief executive officer of the Corporation. The President may preside at all meetings of shareholders, when present, and at meetings of the Board of Directors in the absence of the Chairman of the Board, if such there be.

(c) Executive Vice President

The Executive Vice President or the Executive Vice Presidents, if such there be, shall assist the President in the management of the Corporation and, as may be designated by the Board of Directors, in the event of the death, resignation, removal, disability or absence of the President, an Executive Vice President shall possess the powers and perform the duties of the President for the period of such disability or absence or until the Board of Directors elects a President.

(d) Vice President

Each Vice President shall assist the President in the management of the Corporation and, in the absence or incapacity of the President and Executive Vice Presidents,

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and in order as fixed by the Board, possess the powers and perform the duties of the President for the period of such absence or incapacity, and shall possess such other powers and perform such other duties as the Board of Directors may prescribe.

(e) Secretary

The Secretary shall issue notices of all meetings of shareholders and directors where notices of such meetings are required by law or these By-Laws, and shall keep the minutes of such meetings. The Secretary shall sign such instruments and attest such documents as require signature or attestation and affix the corporate seal thereto where appropriate and shall possess such other powers and perform such other duties as usually pertain to the office or as the Board of Directors may prescribe.

(f) Treasurer

The Treasurer shall have general charge of, and be responsible for, the fiscal affairs of the Corporation and shall sign all instruments and documents as require such signature, and shall possess such other powers and perform such other duties as usually pertain to the office or as the Board of Directors may prescribe.

(g) Assistant Officers

Any Assistant Officer elected by the Board of Directors shall assist the designated officer and shall possess that officer's powers and perform that officer's duties as designated by that officer, and shall possess such other powers and perform such other duties as the Board of Directors may prescribe.

Section 4 - Records.

The Corporation shall keep (a) correct and complete books and records of account; (b) minutes of the proceedings of the shareholders, Board of Directors and any committees of the Board; and (c) a current list of the directors and officers and their residence addresses.

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The Corporation shall also keep at its office in the State of New York or at the office of its transfer agent or registrar in the State of New York, if any, a record containing the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

Section 5 - Checks and Similar Instruments.

All checks and drafts on the Corporation's bank accounts and all bills of exchange and promissory notes and all acceptances, obligations and other instruments, for the payment of money, shall be signed by facsimile or otherwise on behalf of the Corporation by such officer or officers or agent or agents as shall be thereunto authorized from time to time by the Board of Directors.

Section 6 - Voting Shares Held by the Corporation.

Either the President or the Secretary may vote shares of stock held by the Corporation in other corporations and may execute proxies for and on behalf of the Corporation for such purpose.

ARTICLE IV

SHARE CERTIFICATES AND LOSS THEREOF - TRANSFER OF SHARES

Section 1 - Form of Share Certificate.

The shares of the Corporation shall be represented by certificates, in such forms as the Board of Directors may from time to time prescribe, signed by the Chairman of the Board if such there be, or the President or a Vice President, and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation or its employee. In case any officer who

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has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer at the date of issue.

Section 2 - Lost, Stolen or Destroyed Share Certificates.

No certificate or certificates for shares of the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of the loss, theft or destruction, and upon such indemnification and payment of costs of the Corporation and its agents to such extent and in such manner as the Board of Directors may from time to time prescribe. The Board of Directors, in its discretion, and as a condition precedent to the issuance of any new certificate, may require the owner of any certificate alleged to have been lost, stolen or destroyed to furnish the Corporation with a bond, in such sum and with such surety or sureties as it may direct, as indemnity against any claim that may be made against the Corporation in respect of such lost, stolen or destroyed certificate.

Section 3 - Transfer of Shares.

Shares of the Corporation shall be transferable on the books of the Corporation by the registered holder thereof in person or by the registered holder's duly authorized attorney, by delivery for cancellation of a certificate or certificates for the same number of shares, with proper endorsement consisting of either a written assignment of the certificate or a power of attorney to sell, assign or transfer the same or the shares represented thereby, signed by the person appearing by the certificate to be the owner of the shares represented thereby, either written thereon or attached thereto, with such proof of the authenticity of the signature as the Corporation or its agents may

reasonably require. Such endorsement may be either in blank or to a specified person, and shall have affixed thereto all stock transfer stamps required by law.

*Except as otherwise provided by law, not more than twenty percent of the aggregate number of shares of stock of the Corporation outstanding in any class or series shall at any time be owned of record or beneficially or voted by or for the account of aliens (as defined below). Shares of stock shall not be transferable on the books of the Corporation to any alien if, as a

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*Revised 9/19/94

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result of such transfer, the aggregate number of shares of stock in any class or series owned by or for the account of aliens shall be twenty percent or more of the number of shares of stock then outstanding in such class or series. The Board of Directors may make such rules and regulations as it shall deem necessary or appropriate so that accurate records may be kept of the shares of stock of the Corporation owned of record or beneficially or voted by or for the account of aliens or to otherwise enforce the provisions of this Section 3.

As used in this Section 3, the word "alien" shall mean the following and their representatives: any individual not a citizen of the United States of America; a partnership, unless a majority of the partners are non-aliens and a majority interest in the partnership profits is held by nonaliens; a foreign government; a corporation, joint-stock company or association organized under the laws of a foreign country; any other corporation of which any officer or more than one-fourth of the directors are aliens, or of which more than one-fourth of any class or series of stock is owned of record or voted by or for the account of aliens; and any other corporation, joint-stock company or association controlled directly or indirectly by one or more of the above.

ARTICLE V

OTHER MATTERS

Section 1 - Corporate Seal.

The corporate seal shall have inscribed thereon the name of the Corporation and such other appropriate legend as the Board of Directors may from time to time determine. In lieu of the corporate seal, when so authorized by the Board, a facsimile thereof may be affixed or impressed or reproduced in any other manner.

Section 2 - Amendments.

By-Laws of the Corporation may be amended, repealed or adopted by vote of the holders of the shares at the time entitled to vote in the election of any directors. By-Laws may also be

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amended, repealed, or adopted by the Board of Directors, but any By-Law adopted by the Board may be amended or repealed by the shareholders entitled to vote thereon as hereinabove provided.

If any By-Law regulating an impending election of directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of directors the By-Law so adopted, amended or repealed, together with a concise statement of the changes made.

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\$200,000,000

CREDIT AGREEMENT

dated as of

November 10, 1998

among

FRONTIER CORPORATION

The Lenders Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

FLEET BANK,
as Syndication Agent

MARINE MIDLAND BANK,
as Documentation Agent

CHASE SECURITIES INC.,
as Lead Arranger and Book Manager

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CREDIT AGREEMENT dated as of November 10, 1998, among FRONTIER CORPORATION, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I
Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Revolving Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurodollar Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below, expressed in basis points, under the caption "Eurodollar Spread" or "Facility Fee Rate", as the

case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

<TABLE>
<CAPTION>

Index Debt Ratings:	Eurodollar	Facility Fee
	Spread	Rate
<S> Category 1 Greater than or equal to A+/A1	<C> 13	<C> 7
Category 2 Greater than or equal to A-/A3	16	9
Category 3 Equal to BBB+/Baa1	20	10
Category 4 Equal to BBB/Baa2	22.5	12.5
Category 5 Lower than BBB/Baa2 or not rated by both Moody's and S&P	30	15

</TABLE>

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Rate shall be based on the higher of the two ratings unless one of the two ratings is two or more Categories lower than the other, in which case the Applicable Rate shall be determined by reference to the Category next below that of the higher of the two ratings; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Assessment Rate" means, for any day, the annual assessment rate in effect

on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to

the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or

regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Acceptance" means an assignment and acceptance entered into -----
by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form -----
of Exhibit 1.01 or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective -----
Date to but excluding the earlier of the Termination Date and the date of termination of the Commitments.

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate -----
multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" means the Board of Governors of the Federal Reserve System of the -----
United States of America.

"Borrower" means Frontier Corporation, a New York corporation.

"Borrowing" means (a) Revolving Loans of the same Type, made, converted or -----
continued on the same date and, in the case of Eurodollar Revolving Loans, as to which a single Interest Period is in effect or (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Revolving -----
Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on -----
which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, -----
the term "Business Day" shall also exclude any day on which banks are not open -----
for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such -----
Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Control" means (a) the acquisition of ownership, directly or -----
indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of shares representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the

Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Borrower by any Person or group.

"Change in Law" means (a) the adoption of any law, rule or regulation after -----
the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.13(b), by any lending office of such Lender or by such Lender's -----
holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Class", when used in reference to any Loan or Borrowing, refers to whether -----
such Loan, or the Loans comprising such Borrowing, are Revolving Loans, or Competitive Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to -----
time.

"Commitment" means, with respect to each Lender, the commitment of such -----
Lender to make Revolving Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to -----
assignments by or to such Lender pursuant to Section 9.04. The initial amount -----
of each Lender's Commitment is set forth on Exhibit 2.01, or in the Assignment -----
and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$200,000,000.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in -----
accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the -----
Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive -----
Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Consolidated Interest Expense" means for any period for which such amount -----
is being determined, the interest expense of the Borrower and its Consolidated Subsidiaries for such period, as reported on the relevant financial statements delivered pursuant to Sections 5.01(a) and 5.01(b).

"Consolidated Net Income" means the net income of the Borrower and its

Consolidated Subsidiaries, after taxes and after extraordinary items, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means the Net Worth of the Borrower and its

Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP. For this purpose, "Net Worth" of a Person means, at any date of

determination thereof, the excess of total assets of the Person over total liabilities of the Person, determined in accordance with GAAP.

"Consolidated Tangible Net Worth" means the Tangible Net Worth of the

Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP. For this purpose, "Tangible Net Worth" of a

Person means, at any date of determination thereof, the excess of total Tangible Assets of the Person over total liabilities of the Person, determined in accordance with GAAP.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are

required to be consolidated with the accounts of the Borrower in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to

direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition which (a) constitutes an Event of

Default, (b) upon notice, lapse of time or both would, unless cured or waived, become an Event of Default or (c) constitutes a "Default", as such term is defined in the \$275,000,000 Credit Agreement.

"Disclosed Matters" means the actions, suits and proceedings and the

environmental matters disclosed in Exhibit 3.06.

"dollars" or "\$" refers to lawful money of the United States of America.

"EBITDA" means the sum of the following items measured for the twelve month

period ending on the last day of each fiscal quarter: (a) Consolidated Net Income calculated after eliminating extraordinary and/or non-recurring items, to the extent included in the determination of Consolidated Net Income, plus (b) depreciation, amortization, and all other non-cash charges included in the determination of

Consolidated Net Income, plus (c) income taxes to the extent that they reduce Consolidated Net Income, plus (d) Consolidated Interest Expense.

"Effective Date" means the date on which the conditions specified in

Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances,

orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way

to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise

(including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated)

that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043

of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a

determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to

whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any

Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign

Lender (other than an assignee pursuant to a request by the Borrower under

Section 2.17(b)), any withholding tax that is imposed on amounts payable to such

Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.15(e), except to the extent that such Foreign

Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.15(a).

"Federal Funds Effective Rate" means, for any day, the weighted average

(rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting

officer, treasurer or controller of the Borrower.

"Fixed Rate" means, with respect to any Competitive Loan (other than a

Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed

Rate.

"Foreign Lender" means any Lender that is organized under the laws of a

jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Funded Debt" means, with respect to any Person, all Indebtedness of such

Person (including current maturities), for money borrowed (including Capital Leases), which by its terms matures more than one year from the date as of which such Funded Debt is incurred, and any such Indebtedness of such Person maturing within one year from such date which is renewable or extendable at the option of the obligor to a date beyond one year from such date (whether or not theretofore renewed or extended), including any such Indebtedness renewable or extendable at the option of the obligor under, or payable from the proceeds of other Indebtedness which may be incurred pursuant to, the provisions of any revolving credit agreement or other similar agreement.

"GAAP" means generally accepted accounting principles in the United States

of America.

"Governmental Authority" means the government of the United States of

America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation,

contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and

including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for

collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or

wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign

currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all

obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed

money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Information Memorandum" means the Confidential Information Memorandum

dated September, 1998 relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or

continue a Revolving Borrowing in accordance with Section 2.06.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last

day of each March, June, September and December, (b) with respect to any
Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing
of which such Loan is a part and, in the case of a Eurodollar Borrowing with an
Interest Period of more than three months' duration, each day prior to the last
day of such Interest Period that occurs at intervals of three months' duration
after the first day of such Interest Period and (c) with respect to any Fixed
Rate Loan, the last day of the Interest Period applicable to the Borrowing of
which such Loan is a part and, in the case of a Fixed Rate Borrowing with an
Interest Period of more than 90 days' duration (unless otherwise specified in the
the

applicable Competitive Bid Request), each day prior to the last day of such
Interest Period that occurs at intervals of 90 days' duration after the first
day of such Interest Period, and any other dates that are specified in the
applicable Competitive Bid Request as Interest Payment Dates with respect to
such Borrowing.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the

period commencing on the date of such Borrowing and ending on the numerically
corresponding day in the calendar month that is one, two, three or six months
thereafter, as the Borrower may elect, (b) with respect to any Fixed Rate
Borrowing, the period (which shall not be less than 7 days or more than 360
days) commencing on the date of such Borrowing and ending on the date specified
in the applicable Competitive Bid Request; provided, that (i) if any Interest

Period would end on a day other than a Business Day, such Interest Period shall
be extended to the next succeeding Business Day unless, in the case of a
Eurodollar Borrowing only, such next succeeding Business Day would fall in the
next calendar month, in which case such Interest Period shall end on the next
preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar
Borrowing that commences on the last Business Day of a calendar month (or on a
day for which there is no numerically corresponding day in the last calendar
month of such Interest Period) shall end on the last Business Day of the last
calendar month of such Interest Period. For purposes hereof, the date of a
Borrowing initially shall be the date on which such Borrowing is made and, in
the case of a Revolving Borrowing, thereafter shall be the effective date of the
most recent conversion or continuation of such Borrowing.

"Lenders" means the Persons listed on Exhibit 2.01 and any other Person

that shall have become a party hereto pursuant to an Assignment and Acceptance,
other than any such Person that ceases to be a party hereto pursuant to an
Assignment and Acceptance.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any

Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on
any successor or substitute page of such Service, or any successor to or
substitute for such Service, providing rate quotations comparable to those
currently provided on such page of such Service, as determined by the
Administrative Agent from time to time for purposes of providing quotations of
interest rates applicable to dollar deposits in the London interbank market) at
approximately 11:00 a.m., London time, two Business Days prior to the
commencement of such Interest Period, as the rate for dollar deposits with a
maturity comparable to such Interest Period. In the event that such rate is not
available at such time for any reason, then the "LIBO Rate" with respect to such

Eurodollar Borrowing for such Interest Period shall be the rate at which dollar
deposits of \$5,000,000 and for a maturity comparable to such Interest Period are
offered by the principal London office of the Administrative Agent in

immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust,

lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" means the loans made by the Lenders to the Borrower pursuant to

this Agreement.

"Margin" means, with respect to any Competitive Loan bearing interest at a

rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect" means a material adverse effect on (a) the

business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under this Agreement or (c) the rights of or benefits available to the Lenders under this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans) or

obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Significant Subsidiaries in an aggregate principal amount exceeding \$10,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Significant Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Significant Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means the Termination Date, unless and until such date is

extended pursuant to Section 2.08(f), in which case it shall mean November 9, 2000.

"Maturity Date Extension Notice" has the meaning set forth in Section

2.08(f).

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section

4001(a)(3) of ERISA.

"Other Taxes" means any and all present or future stamp or documentary

taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning set forth in Section 9.04(e).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning set forth in Section 9.04.

"Related Parties" means, with respect to any specified Person, such

Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit

Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided

that, for purposes of declaring the Loans to be due and payable pursuant to

Article VII, and for all purposes after the Loans become due and payable

pursuant to Article VII or the Commitments expire or terminate, the outstanding

Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Revolving Credit Exposure" means, with respect to any Lender at any time,

the sum of the outstanding principal amounts of such Lender's Revolving Loans at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's.

"Significant Subsidiary" means at any time any Subsidiary of the Borrower

(i) whose total assets constituted 10% or more of Consolidated Tangible Net Worth as of the end of the most recent fiscal quarter or (ii) whose "attributable" net income contributed 10% or more of Consolidated Net Income for the fiscal year most recently ended. The percentage of any Subsidiary's net income "attributable" to such Subsidiary for purposes of such computation shall be the same percentage of such Subsidiary's net income as is included in Consolidated Net Income.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the

numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in dollars of over \$100,000 with maturities approximately equal to three months, and (b) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration,

exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date,

any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such

date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Tangible Assets" means, at any date of determination thereof, in each case

to the extent included in Consolidated Net Worth, total assets minus any share capital discount and expense, any unamortized discount and expense on Indebtedness, any write-up of assets, any excess of cost over market value of investments, any development, pre-operating, pre-production, and start-up expenses, any good will, and any other intangible assets.

"Taxes" means any and all present or future taxes, levies, imposts, duties,

deductions, charges or withholdings imposed by any Governmental Authority.

"Term Period" shall mean, if the Maturity Date is extended pursuant to

Section 2.08(f), the period between the Termination Date and the Maturity Date,

as so extended.

"Termination Date" means November 9, 1999.

"Three-Month Secondary CD Rate" means, for any day, the secondary market

rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Transactions" means the execution, delivery and performance by the

Borrower of this Agreement, the borrowing of Loans, and the use of the proceeds thereof.

"\$275,000,000 Credit Agreement" means the \$275,000,000, three year Credit

Agreement, of even date with this Agreement, among the Borrower, The Chase Manhattan Bank, as Administrative Agent, and the Lenders party thereto.

"Type", when used in reference to any Loan or Borrowing, refers to whether

the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result

of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of

this Agreement, Loans may be classified and referred to by Class (e.g., a

"Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type

(e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and

referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a

"Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving

Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall

apply equally to the singular and plural forms of the terms defined. Whenever
the context may require, any pronoun shall include the corresponding masculine,
feminine and neuter forms. The words "include", "includes" and "including"
shall be deemed to be followed by the phrase "without limitation". The word
"will" shall be construed to have the same meaning and effect as the word
"shall". Unless the context requires otherwise (a) any definition of or
reference to any agreement, instrument or other document herein shall be
construed as referring to such agreement, instrument or other document as from
time to time amended, supplemented or otherwise modified (subject to any
restrictions on such amendments, supplements or modifications set forth herein),
(b) any reference herein to any Person shall be construed to include such
Person's successors and assigns, (c) the words "herein", "hereof" and
"hereunder", and words of similar import, shall be construed to refer to this
Agreement in its entirety and not to any particular provision hereof, (d) all
references herein to Articles, Sections and Exhibits shall be construed to refer
to Articles and Sections of, and Exhibits to, this Agreement and (e) the words
"asset" and "property" shall be construed to have the same meaning and effect
and to refer to any and all tangible and intangible assets and properties,
including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly

provided herein, all terms of an accounting or financial nature shall be
construed in accordance with GAAP, as in effect from time to time; provided

that, if the Borrower

notifies the Administrative Agent that the Borrower requests an amendment to any
provision hereof to eliminate the effect of any change occurring after the date
hereof in GAAP or in the application thereof on the operation of such provision
(or if the Administrative Agent notifies the Borrower that the Required Lenders
request an amendment to any provision hereof for such purpose), regardless of
whether any such notice is given before or after such change in GAAP or in the
application thereof, then such provision shall be interpreted on the basis of
GAAP as in effect and applied immediately before such change shall have become
effective until such notice shall have been withdrawn or such provision amended
in accordance herewith.

ARTICLE II
The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth

herein, each Lender agrees to make Revolving Loans to the Borrower from time to
time during the Availability Period in an aggregate principal amount that will
not result in (a) such Lender's Revolving Credit Exposure exceeding such
Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus
the aggregate principal amount of outstanding Competitive Loans exceeding the
total Commitments. Within the foregoing limits and subject to the terms and
conditions set forth herein, the Borrower may borrow, prepay and reborrow
Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be

made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The

failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the

Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, (i) each Revolving Borrowing shall be

comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation

of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000; provided that an ABR Revolving

Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of

five (5) Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Termination Date; provided, that, if the Maturity Date is extended pursuant to Section 2.08(f), Borrower shall have the right, during the Term Period, to

convert and continue Revolving Borrowings outstanding on the Termination Date, as long as the Interest Period with respect thereto would not end after the Maturity Date, as so extended.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving

Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

-
- (i) the aggregate amount of the requested Borrowing;
 - (ii) the date of such Borrowing, which shall be a Business Day;
 - (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative

Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and

conditions set forth herein, from time to time during the Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided

that the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Commitments, and provided further that no Competitive Bids may be requested during the existence of a Default. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the

Borrower may submit up to (but not more than) three (3) Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;
- (iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period" and shall end on or before the Termination Date; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each

Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to

give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive

Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a

Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further that if

a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of

\$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be

rounded to integral multiples of \$1,000,000 in a manner

determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the

amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Funding of Borrowings. (a) Each Lender shall make each

Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section

and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount, with interest thereon for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Revolving Borrowing initially

shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, during the Availability Period and the Term Period, if

any, the Borrower may elect to convert each Revolving Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may, subject to the provisions of Section 2.02(c), elect different

options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were

requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election

Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to

clauses (iii) and (iv) below shall be specified for each resulting

Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period" and which shall end on or before the Maturity Date.

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Commitments. (a) Unless

previously terminated, the Commitments shall terminate on the Termination Date.

(b) Prior to the Termination Date, the Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction

of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.09, the sum of the

Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least

three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the

Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of

the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Debt; Extension of Maturity

Date. (a) The Borrower hereby unconditionally promises to pay (i) to the

Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date and (ii) to the Administrative Agent for the account of each Lender, as appropriate, the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan, which day shall be on or before the Termination Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b)

or (c) of this Section shall be prima facie evidence of the existence and

amounts of the obligations recorded therein; provided that the failure of any

Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory

notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

(f) The Borrower may elect to extend the Maturity Date from the Termination Date to November 9, 2000, by delivering an extension notice (a

"Maturity Date Extension Notice") to the Administrative Agent (which shall

promptly deliver a copy of such Maturity Date Extension Notice to each Lender) not later than 10 days prior to the Termination Date; provided, that, if a Default exists either on the date on which the Maturity Date Extension Notice is delivered to the Administrative Agent or on the Termination Date, the Maturity Date shall not be so extended. Provided that no Default exists on either such date, a Maturity Date Extension Notice, once given, shall be irrevocable and the Maturity Date shall be extended as provided therein. If the Maturity Date is extended as provided in this paragraph, then the maturity of the unpaid

principal amount of each Revolving Loan outstanding on the Termination Date shall be extended to the Maturity Date as so extended and such principal amount shall be payable on such extended Maturity Date in accordance with Section

2.08(a) above.

SECTION 2.09. Prepayment of Loans. (a) The Borrower shall have the right

at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section;

provided that the Borrower shall not have the right to prepay any Competitive

Borrowing without the prior consent of the Lender thereof, except in connection with a reduction of Commitments as provided in Section 6.03(b).

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Revolving Borrowing or a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with

a conditional notice of termination of the Commitments as contemplated by

Section 2.07, then such notice of prepayment may be revoked if such notice of

termination is revoked in accordance with Section 2.07. Promptly following

receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02.

Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11.

SECTION 2.10. Fees. (a) The Borrower agrees to pay to the Administrative

Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such

Lender continues to have any Revolving Credit Exposure after its Commitment terminates, (including any Revolving Credit Exposure during the Term Period) then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Each Lender's accrued facility fees shall be payable in arrears (i) on the last day of March, June, September and December of each year commencing on the first such date to occur after the date hereof; and (ii) on the later of the date on which such Lender's Commitment terminates or the date on which such Lender ceases to have any Revolving Credit Exposure;

provided that, if the Commitments are terminated prior to the Termination Date,

any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(c) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing

shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan, on the Maturity Date and, in the case of Revolving Loans, upon termination of the Commitments, if the Commitments are terminated prior to the Termination Date; provided that (i) interest accrued

pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in

the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual

number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of

any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice

do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.13. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the

Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to

compensate a Lender pursuant to this Section for any increased costs or

reductions incurred more than 270 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor;

provided further that, if the Change in Law giving rise to such increased costs

or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of

any principal of any Eurodollar Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether

such notice may be revoked under Section 2.09(b) and is revoked in accordance

therewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then,

in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate or LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.15. Taxes. (a) Any and all payments by or on account of any

obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the

Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or each Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender,

within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the

relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees or of amounts payable under Section

2.13, 2.14 or 2.15, or otherwise) prior to 12:00 noon, New York City time, on

the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.13,

2.14, 2.15 and 9.03 shall be made directly to the Persons entitled thereto. The

Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans

and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans; provided that (i) if any

such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or to any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(b) or 2.16(d), then the Administrative Agent may, in

its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any

Lender requests compensation under Section 2.13, or if the Borrower is required

to pay

any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, then such Lender shall use

reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as the case may be, in the future and

(ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13, or if the

Borrower is required to pay any additional amount to any Lender or any

Governmental Authority for the account of any Lender pursuant to Section 2.15,

or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in

Section 9.04), all its interests, rights and obligations under this Agreement

(other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the

prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans), accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.13 or payments required to be made pursuant to

Section 2.15, such assignment will result in a reduction in such compensation or

payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III
Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Borrower and its

Significant Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is

qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within

the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a)

do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any

payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The

Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended December 31, 1997, reported on by PricewaterhouseCoopers, LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended June 30, 1998, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since December 31, 1997, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Each of the Borrower and its Subsidiaries

has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no

actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Borrower

and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status. Neither the Borrower

nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. Taxes. Each of the Borrower and its Subsidiaries has timely

filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the

extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably

expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. The Borrower has disclosed to the Lenders all

agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial

information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Year 2000. Borrower reasonably expects to complete any

reprogramming required to permit the proper functioning, in and following the year 2000, of (i) the Borrower's and its Subsidiaries' computer systems and (ii) equipment containing embedded microchips (including systems and equipment supplied by others to Borrower) either or both of which Borrower and its Subsidiaries plan to utilize in and following the year 2000, and the testing of all such systems and equipment, as so reprogrammed. The cost to the Borrower and its Subsidiaries of such reprogramming and testing and reasonably foreseeable remediation is not expected to result in a Default or a Material Adverse Effect. Except for remediation referred to in the preceding sentence, the computer and management information systems of the Borrower and its Subsidiaries are expected to continue for the term of this Agreement to be sufficient to permit the Borrower to conduct its business without Material Adverse Effect.

SECTION 3.13. Significant Subsidiaries. Exhibit 3.13 lists the name,

address and state of incorporation of each Subsidiary that constitutes a Significant Subsidiary as of the date of this Agreement, along with the computation by which Borrower has made such determination. Such Exhibit also describes the Indebtedness of each Significant Subsidiary, and each Lien to which any of the assets of each Significant Subsidiary are subject, on the date hereof.

SECTION 3.14. Borrower's Funded Debt. Exhibit 3.14 describes all Funded

Debt of Borrower as of the date hereof, and no agreement, promissory note or other instrument related to or evidencing such Funded Debt contains any covenant or event of default that is more favorable to the lenders of such Funded Debt than are the covenants and Events of Defaults in this Agreement to the Lenders.

ARTICLE IV
Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make

Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Martin T. McCue, Esq., Senior Vice President and General Counsel of Borrower, as counsel for the Borrower, substantially in the form of Exhibit 4.01(b), which opinion shall also cover such other

matters relating to the Borrower, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) All of the "Commitments" under the \$250,000,000 Revolving Credit Agreement, dated August 9, 1995, as amended, among the Borrower, the Banks signatory thereto and The Chase Manhattan Bank, as Agent shall have been terminated and all principal and interest with respect to any "Loans" outstanding thereunder shall have been paid in full.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New

York City time, on November 15, 1998 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a

Loan on the occasion of any Borrowing, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct on and as of the date of such Borrowing.

(b) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a)

and (b) of this Section.

ARTICLE V
Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Borrower

will furnish to the Administrative Agent and each Lender:

(a) as soon as available and in any event within 100 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by PricewaterhouseCoopers, LLP or other independent public accountants of recognized national standing selected by Borrower (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) as soon as available and in any event within 55 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the

Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.06 and (iii)

stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in

Section 3.04 and, if any such change has occurred, specifying the effect of

such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on

such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be;

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request; and

(g) with each financial report submitted pursuant to Sections 5.01(a) and 5.01(b), a separate report describing (i) the names of each Significant

Subsidiary as of the date of the balance sheet set forth in such report and of each Subsidiary (or former Subsidiary) listed on the last such report but not on the current report,

along with the computation by which Borrower determined that each such Subsidiary (or former Subsidiary) did or did not constitute a Significant Subsidiary, (ii) the name, address, form and state of organization of each Subsidiary that became a Significant Subsidiary since the date of Borrower's latest such report, (iii) the Indebtedness of each Significant Subsidiary listed on such report, and each Lien to which any of the assets of each such Significant Subsidiary were subject, as of the date of such report, and (iv) as of the date of such report, the total outstanding Indebtedness of Borrower's Subsidiaries.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to

the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$10,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Borrower will, and will

cause each of its Significant Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit

any merger, consolidation, liquidation or dissolution permitted under Section

6.03.

SECTION 5.04. Payment of Obligations. The Borrower will, and will cause

each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to

make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Borrower will,

and will cause each of its Significant Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Borrower will,

and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Significant Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws. The Borrower will, and will cause

each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. The proceeds of the Loans will be used

only for general corporate purposes. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, U and X.

SECTION 5.09. Other Funded Debt of Borrower. If after the date of this

Agreement, Borrower either incurs new Funded Debt (other than pursuant to this Agreement and other than that described in Exhibit 3.14) or amends any document

related to any Funded Debt (other than pursuant to this Agreement) or pursuant to which Borrower has the right to borrow Funded Debt, and if any of the covenants or events of default, contained in any document, agreement or instrument from time to time entered into by the Borrower in respect of such Funded Debt is more favorable to the lenders of such Funded Debt, than are the terms of this Agreement to the Lenders, (i) the Borrower shall promptly notify

the Administrative Agent of such incurrence or amendment, (ii) the Administrative Agent shall, in turn, so notify each Lender, and (ii) this Agreement shall be amended to contain each such more favorable covenant or event of default, and the Borrower hereby agrees to so amend this Agreement and to execute and deliver all such documents requested by the Required Lenders to reflect such Amendment. Prior to the execution and delivery of such documents by the Borrower, this Agreement shall be

deemed to contain each such more favorable covenant or event of default for purposes of determining the rights and obligations hereunder.

ARTICLE VI
Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness of Subsidiaries. Borrower shall not permit any

of its Subsidiaries to create, incur, assume or suffer to exist any Indebtedness if at the time or as a result thereof the outstanding principal amount of all Subsidiary Indebtedness aggregates or would aggregate more than \$500,000,000. For purposes of the foregoing sentence, the Indebtedness of RTMC Holdings, Inc. described in Exhibit 6.01 shall be subject to the \$500,000,000 maximum only to

the extent that the Indebtedness of Upstate Cellular Network underlying such Indebtedness of RTMC Holdings, Inc. has become due and payable by RTMC Holdings, Inc.

SECTION 6.02. Liens. The Borrower will not, and will not permit any

Significant Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Borrower or any Significant Subsidiary existing on the date hereof and set forth in Exhibit

6.02; provided that (i) such Lien shall not apply to any other property or

asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) Liens securing obligations of a Significant Subsidiary to Borrower or to another Significant Subsidiary;

(d) purchase money Liens on any property hereafter acquired by Significant Subsidiaries that are regulated public utilities, or the assumption by such Subsidiaries of Liens on property existing at the time of such acquisition, or Liens incurred by such Subsidiaries in connection with any conditional sale or other title retention agreements or Capital Leases; and purchase money Liens on transmission equipment hereafter acquired by Significant Subsidiaries that are not regulated public utilities, or the assumption by such Subsidiaries of Liens on transmission equipment existing at the time of such acquisition, or Liens incurred by such Subsidiaries in connection with any acquisition of transmission

equipment pursuant to any conditional sale or other title retention agreements or Capital Leases; and Liens attaching to the assets of

businesses acquired by the Borrower or any Significant Subsidiary by merger, consolidation or the purchase of stock, which Liens existed at the time of such acquisition; provided, in each case, that:

(i) any property subject to any of the foregoing is acquired by Borrower or any such Subsidiary in the ordinary course of its business and the Lien on any such property is created prior to or contemporaneously with such acquisition;

(ii) the obligation secured by any Lien so created, assumed or existing shall not exceed 100% of the lesser of cost or fair market value as of the time of acquisition of the property covered thereby to Borrower or such Subsidiary acquiring the same; and

(iii) each such Lien shall attach only to the property so acquired and fixed improvements thereon, and shall secure only those obligations which it secures on the date of such acquisition, and extensions, renewals or replacements thereof that do not increase the outstanding principal amount thereof.

SECTION 6.03. Fundamental Changes. (a) The Borrower will not merge into

or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, any Person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation.

(b) Borrower shall not

(i) permit any Significant Subsidiary to merge or consolidate with, or sell, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person (or enter into any agreement to do any of the foregoing), except that (x) any Significant Subsidiary may merge into or transfer assets to the Borrower; and (xx) any Significant Subsidiary may merge into or consolidate with or transfer assets to any other Subsidiary of the Borrower; or

(ii) sell or dispose of any equity or voting interest in any Significant Subsidiary, except that Borrower shall be permitted to sell or dispose of

such equity or voting interest as long as the purchaser or transferee is an entity in which Borrower owns an equity interest;

provided, however, that the transactions prohibited in clauses (i) and (ii)

above shall be permitted as long as (x) the proceeds thereof are received entirely in cash by Borrower or a Significant Subsidiary, as the case may be, (xx) unless waived by all of the Lenders, upon completion of any such transaction during the Availability Period, Borrower reduces the total amount of the Commitments by an amount that is not less than the amount determined in accordance with the next sentence, and Borrower makes any prepayments of outstanding Borrowings necessary to reduce the aggregate outstanding principal balance of all Loans to be less than or equal to the amount of the Commitments as so reduced and (xxx) unless waived by all of the Lenders, upon completion of any such transaction during the Term Period, Borrower prepays the principal of outstanding Borrowings in an aggregate amount that is not less than the amount determined in accordance with the next sentence. The amount by which the total Commitments shall be reduced pursuant to clause (xx), and/or by which the

principal of outstanding Borrowings are to be prepaid pursuant to clause (xxx),

of the preceding sentence shall be not less than (z) the amount of the cash proceeds received in the transaction less the expenses of, and any income and other taxes estimated to be due as a result of, the transaction, times either (zz) if the transaction is completed during the Availability Period, a fraction whose numerator is the total amount of the Commitments prior to such reduction and whose denominator is the sum of such total Commitment amount and the total amount of the commitments immediately prior to the transaction under the \$275,000,000 Credit Agreement or (zzz) if the transaction is completed during the Term Period, if any, a fraction whose numerator is total of all Revolving Credit Exposures prior to such prepayment and whose denominator is the sum of such total Revolving Credit Exposures and the total amount of the commitments immediately prior to the transaction under the \$275,000,000 Credit Agreement. If Borrower is required to prepay any Borrowings in connection with a Commitment reduction pursuant to clause (xx) of this Section, it shall prepay all Revolving

Borrowings in full, prior to prepaying any Competitive Borrowings. If it is then required to prepay all or part of any Competitive Borrowings in order to comply with clause (xx) of this Section, Borrower shall notify the

Administrative Agent of such prepayment, (which shall promptly notify each Lender whose Competitive Loans comprise the Borrowings that Borrower intends to prepay) not later than 11:00 a.m., New York City time, two Business Days before the Business Day on which the Borrower is required to give a notice of prepayment of such Borrowings pursuant to Section 2.09(b). Such notice shall

identify the Competitive Borrowings to be prepaid, the amount to be prepaid and the prepayment date. If any Lender whose Competitive Loan or Loans are being prepaid under such clause (xx) notifies the Administrative Agent and the

Borrower prior to the time at which a notice of prepayment is required under Section 2.09(b) that it objects to any prepayment of one or more of such Loans

held by it, specifying such Loans, Borrower will have the obligation, and to the extent that it does not receive such a notice, it shall have the right, in lieu of immediate prepayment, to provide cash collateral to any Lender whose Competitive Loans are being prepaid, in an amount not less than the

principal amount being prepaid. The terms of such cash collateral shall be reasonably acceptable to such Lender and to the Administrative Agent.

SECTION 6.04. Transactions with Affiliates. The Borrower will not, and

will not permit any of its Significant Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its Subsidiaries not involving any other Affiliate.

SECTION 6.05. Restrictive Agreements. The Borrower will not, and will not

permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Significant Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (i) the

foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Exhibit 6.05 (but shall

apply to any amendment or modification expanding the scope of any such restriction or condition), (iii) the foregoing shall not apply to customary

restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions

imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) clause (a) of the foregoing shall not

apply to customary provisions in leases and other contracts restricting the assignment thereof, (vi) clause (b) of the foregoing shall not apply to

Subsidiaries that are regulated public utilities, to the extent that the agencies charged with regulating them (as public utilities) may specifically prohibit or limit dividend payments, (vii) the foregoing shall not apply to restrictions that apply to Significant Subsidiaries that were acquired as Subsidiaries after the date hereof, if such Significant Subsidiaries were subject to such restrictions at the time of acquisition and if such restrictions do not extend to Borrower or any other Significant Subsidiary, and (viii) clause

(b) of the foregoing shall not apply to the existence and operation of financial ---
covenants, such as maximum debt to net worth or minimum working capital ratios, as long as they do not specifically prohibit or restrict dividend payments or other distributions.

SECTION 6.06. Interest Coverage. The Borrower will not permit the ratio

of EBITDA to Consolidated Interest Expense to be less than 4.50 to 1 for each twelve month period ending on the last day of each fiscal quarter.

ARTICLE VII Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay (i) any interest on any Loan or any facility fee payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days, or (ii) any other fee or any other amount payable under this Agreement (other than an amount referred to in clause (a) or

clause (b) (i) of this Article), when and as the same shall become due and

payable, and such failure shall continue unremedied for a period of ten days after notice to the Borrower from the Administrative Agent or from the Lender to which such amount is payable;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the

Borrower's existence only) or 5.08 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant,

condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure

shall continue unremedied for a period of 30 days;

(f) the Borrower or any Significant Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase,

redemption or defeasance thereof, prior to its scheduled maturity; provided

that this clause shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Significant Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h)

of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any Significant Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$10,000,000 shall be rendered against the Borrower, any Significant Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Significant Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

(m) a Change in Control shall occur; or

(n) the occurrence of an "Event of Default", as such term is defined in the \$275,000,000 Credit Agreement.

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter

during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, if any, and thereupon any existing Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, any existing Commitments shall automatically

terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII
The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required

Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as

expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own

gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the

Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere

herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor

shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX
Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other

communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at 180 South Clinton Avenue, Rochester, New York 14646, Attention of Treasurer (Telecopy No. (716) 325-7638), with a copy to 180 South Clinton Avenue, Rochester, New York 14646, Attention of Corporate Counsel (Telecopy No. (716) 325-7639);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, 1 Chase Square, Rochester, New York 14643, Attention of Benedict A. Smith, (Telephone No. (716) 258-5669; Telecopy No. (716) 258-4258);

(c) if to any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the

Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by

paragraph (b) of this Section, and then such waiver or consent shall be

effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no

such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.16(b) or (c) in a manner that would alter the pro rata sharing

of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required

Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or

otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall

pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and

all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnatee, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnatee is a party thereto; provided that such indemnity shall not, as to

any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnatee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this

Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount;

provided that the unreimbursed expense or indemnified loss, claim, damage,

liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or

instrument contemplated hereby, the Transactions, any Loan or the use of the

proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this

Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in

the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to rights in

respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 with respect to each assignment other than an assignment by a Lender to one of its Affiliates, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further

that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII

has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date

specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and,

in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections

2.13, 2.14, 2.15 and 9.03). Any assignment or transfer by a Lender of rights or

obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of

this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be

conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of

this Section and any written consent to such assignment required by paragraph

(b) of this Section, the Administrative Agent shall accept such Assignment and

Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations

under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement

shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such

agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant.

Subject to paragraph (f) of this Section, the Borrower agrees that each

Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to

the same

extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each

Participant also shall be entitled to the benefits of Section 9.08 as though it

were a Lender, provided such Participant agrees to be subject to Section 2.16(c)

as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 than the applicable Lender would have been entitled

to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were

a Lender shall not be entitled to the benefits of Section 2.15 unless the

Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section

2.15(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security

interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and

warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15 and 9.03 and Article VIII shall survive and remain in

full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement

may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

Except as provided in Section 4.01, this Agreement shall become effective when

it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be

invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred

and be continuing, each Lender and each of its Affiliates is hereby authorized

at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably

waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this

Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO

THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of

Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the

Lenders agrees to maintain the confidentiality of the Information (as defined

below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g)

with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower

relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this

Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein

to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the

maximum lawful rate (the "Maximum Rate") which may be contracted for, charged,

taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SIGNATURE PAGES S-1 THROUGH S-11 TO FOLLOW.

S-1

FRONTIER CORPORATION

/s/ Joseph P. Clayton

By _____
Name: Joseph P. Clayton
Title: Chief Executive Officer and
President

S-2

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent,

/s/ Benedict A. Smith
By _____
Name: Benedict A. Smith
Title: Vice President

S-3

FLEET BANK

/s/ Martin K. Birmingham
By _____
Name: Martin K. Birmingham
Title: Vice President

S-4

MARINE MIDLAND BANK

/s/ Keith E. Cleary
By _____
Name: Keith E. Cleary
Title: Vice President

S-5

KEYBANK NATIONAL ASSOCIATION

/s/ Lawrence A. Mack
By _____
Name: Lawrence A. Mack
Title: Senior Vice President

S-6

FIRST NATIONAL BANK OF CHICAGO

/s/ Michael J. Harrington
By _____
Name: Michael J. Harrington
Title: Corporate Banking Officer

S-7

PNC BANK, NATIONAL ASSOCIATION

/s Steffen W. Crowther
By _____
Name: Steffen W. Crowther
Title: Vice President

S-8

REVOLVING COMMITMENT
VEHICLE CORPORATION

/s/ James Dwyer
By _____

Name: James Dwyer
Title: Vice President

S-9

STAR BANK

/s/ Thomas D. Gibbons
By _____
Name: Thomas D. Gibbons
Title: Vice President

S-10

MANUFACTURERS AND TRADERS TRUST COMPANY

/s/ Ellen M. Wayne
By _____
Name: Ellen M. Wayne
Title: Vice President

S-11

CREDIT SUISSE FIRST BOSTON

/s/ Judith E. Smith
By _____
Name: Judith E. Smith
Title: Director

EXHIBIT 1.01
[FORM OF]
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of [] (as amended and in effect on the date hereof, the "Credit Agreement"), among Frontier

Corporation, the Lenders named therein and The Chase Manhattan Bank, as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named on the reverse hereof hereby sells and assigns, without recourse, to the Assignee named on the reverse hereof, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and

obligations under the Credit Agreement, including, without limitation, the interests set forth on the reverse hereof in the Commitment of the Assignor on the Assignment Date and Competitive Loans and Revolving Loans owing to the Assignor which are outstanding on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.15(e) of the

Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative

Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 9.04(b) of the Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment ("Assignment Date"):

<TABLE>

Facility	Principal Amount Assigned (and identifying information as to individual Competitive Loans)	Percentage Assigned of Facility/ Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder)
-----	-----	-----

<S>	<C>	<C>
Commitment Assigned:	\$	%

Revolving Loans:

Competitive Loans:

</TABLE>

The terms set forth above and on the reverse side hereof are hereby agreed to:

[Name of Assignor] , as Assignor

By:

Name:
Title:

[Name of Assignee] , as Assignee

By:

Name:
Title:

The undersigned hereby consent to the within assignment:

Frontier Corporation

The Chase Manhattan Bank,
as Administrative Agent,

By:

By:

Name:
Title:

Name:
Title:

EXHIBIT 2.01
COMMITMENTS

<TABLE>
<CAPTION>

LENDER <S>	COMMITMENT <C>
The Chase Manhattan Bank	\$ 40,000,000
Fleet Bank	\$ 25,263,158
Marine Midland Bank	\$ 25,263,158
KeyBank, National Association	\$ 21,052,632
First National Bank of Chicago	\$ 21,052,632
PNC Bank, National Association	\$ 16,842,104
JP Morgan	\$ 14,736,842
Star Bank	\$ 14,736,842
Manufacturers and Traders Trust Company	\$ 10,526,316
Credit Suisse First Boston	\$ 10,526,316
Total	\$200,000,000

</TABLE>

EXHIBIT 3.06
DISCLOSED MATTERS

As of the date of this Credit Agreement, other than as disclosed in Borrower's reports previously filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, there are no actions, suits or proceedings pending or, to the knowledge of Borrower or any of its Subsidiaries threatened before any court, governmental agency or arbitrator, which could, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of Borrower or any such Subsidiary or the ability of Borrower to perform its obligations under the Facility Documents; however, the Borrower does not expect that such disclosed matters could reasonably be expected to result in a Material Adverse Effect.

EXHIBIT 3.13
SIGNIFICANT SUBSIDIARIES

EXHIBIT 3.14
BORROWER'S FUNDED DEBT

EXHIBIT 4.01(b)

MARTIN T. MC CUE, ESQ.

[Effective Date]

To the Lenders and the Administrative
Agent Referred to Below
c/o The Chase Manhattan Bank, as
Administrative Agent
270 Park Avenue
New York, New York 10017

Dear Sirs:

I am Senior Vice President and General Counsel of Frontier Corporation, and I have acted as counsel for Frontier Corporation, a New York corporation (the "Borrower"), in connection with the \$200,000,000, 364 Day Credit Agreement dated

as of [] (the "Credit Agreement"), among the Borrower, the banks

and other financial institutions identified therein as Lenders, and The Chase
Manhattan Bank, as Administrative Agent. Terms defined in the Credit Agreement
are used herein with the same meanings.

I have examined originals or copies, certified or otherwise identified to
my satisfaction, of such documents, corporate records, certificates of public
officials and other instruments and have conducted such other investigations of
fact and law as I have deemed necessary or advisable for purposes of this
opinion.

Upon the basis of the foregoing, I am of the opinion that:

1. The Borrower and each Significant Subsidiary (a) is an entity duly
organized, validly existing and in good standing under the laws of its state of
organization set forth on Exhibit 3.13 to the Credit Agreement, (b) has all

requisite power and authority to carry on its business as now conducted and (c)
except where the failure to do so, individually or in the aggregate, could not
reasonably be expected to result in a Material Adverse Effect, is qualified to
do business in, and is in good standing in, every jurisdiction where such
qualification is required.

2. The Transactions are within the Borrower's corporate powers and have
been duly authorized by all necessary corporate and, if required, stockholder
action. The Credit Agreement has been duly executed and delivered by the
Borrower and constitutes a legal, valid and binding obligation of the Borrower,
enforceable in accordance with its terms, subject to applicable bankruptcy,
insolvency, reorganization, moratorium or other laws affecting creditors' rights
generally and subject to general principles of equity, regardless of whether
considered in a proceeding in equity or at law.

3. The Transactions (a) do not require any consent or approval of,
registration or filing with, or any other action by, any Governmental Authority,
except such as have been obtained or made and are in full force and effect, (b)
will not violate any applicable law or regulation or the charter, by-laws or
other organizational documents of the Borrower or any of its Subsidiaries or any
order of any Governmental Authority, (c) will not violate or result in a default
under any indenture, agreement or other instrument binding upon the Borrower or
any of its Subsidiaries or its assets, or give rise to a right thereunder to
require any payment to be made by the Borrower or any of its Subsidiaries, and
(d) will not result in the creation or imposition of any Lien on any asset of
the Borrower or any of its Subsidiaries.

4. There are no actions, suits or proceedings by or before any arbitrator
or Governmental Authority pending against or, to my knowledge, threatened
against or affecting the Borrower or any of its Subsidiaries (a) as to which
there is a reasonable possibility of an adverse determination and that, if
adversely determined, could reasonably be expected, individually or in the
aggregate, to have a Material Adverse Effect (other than the Disclosed Matters)
or (b) that involve the Credit Agreement or the Transactions.

5. Neither the Borrower nor any of its Subsidiaries is (a) an "investment
company" as defined in, or subject to regulation under, the Investment Company
Act of 1940 or (b) a "holding company" as defined in, or subject to regulation
under, the Public Utility Holding Company Act of 1935.

I am a member of the bar of the States of Illinois and New Jersey and in
the District of Columbia, but I am not admitted to the bar of the State of New
York. I am however, familiar with the laws of the State of New York and the
foregoing opinion is limited to the laws of the State of New York and the
Federal laws of the United States of America. This opinion is rendered solely
to you in connection with the above matter. This opinion may not be relied upon
by you for any other purpose or relied upon by any other Person (other than your
successors and assigns as Lenders and Persons that acquire Participations in
your Loans) without my prior written consent.

Very truly yours,

Martin T. McCue
Senior Vice President and
General Counsel

EXHIBIT 6.01
EXCLUDED INDEBTEDNESS OF RTMC HOLDING, INC.

Upstate Cellular Network ("UCN") is a New York general partnership. Subsidiaries (direct and indirect) of the Borrower own an aggregate of 50% of the general partnership interests in UCN. RTMC Holding, Inc. is an indirect Subsidiary of the Borrower and is a general partner of UCN, owning 41.6% of the general partnership interests in UCN. Under the New York Partnership Law, RTMC Holding, Inc. is liable for UCN's indebtedness under a revolving credit facility with commitments totaling \$120,000,000. Such liability will become payable in the event that the assets of UCN are insufficient to discharge such revolving credit indebtedness.

	Outstanding Indebtedness
	As of 9/30/98
Upstate Cellular Network	
Credit Agreement	\$101,500,000

EXHIBIT 6.02
LIENS

Borrower and its Subsidiaries are not subject to any Lien or Liens that are individually or in the aggregate material to Borrower's financial condition, assets or Consolidated Net Worth.

EXHIBIT 6.05
CERTAIN RESTRICTIONS AND CONDITIONS

None.

=====
\$275,000,000

CREDIT AGREEMENT

dated as of

November 10, 1998

among

FRONTIER CORPORATION

The Lenders Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

FLEET BANK,
as Syndication Agent

MARINE MIDLAND BANK,
as Documentation Agent

CHASE SECURITIES INC.,
as Lead Arranger and Book Manager
=====

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CREDIT AGREEMENT dated as of November 10, 1998, among FRONTIER CORPORATION, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I
Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following

terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether

such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Revolving

Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means The Chase Manhattan Bank, in its capacity as

administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a

form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that

directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, for any day, a rate per annum equal to the

greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be

effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage

 of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the

Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurodollar

 Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below, expressed in basis points, under the caption "Eurodollar Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

Index Debt Ratings: -----	Eurodollar ----- Spread -----	Facility Fee ----- Rate ----
----- Category 1 ----- Greater than or equal to A+/A1 -----	13	7
----- Category 2 ----- Greater than or equal to A-/A3 -----	16	9
----- Category 3 ----- Equal to BBB+/Baa1 -----	20	10
----- Category 4 ----- Equal to BBB/Baa2 -----	22.5	12.5
----- Category 5 ----- Lower than BBB/Baa2 or not rated by both Moody's and S&P -----	30	15

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency

shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Rate shall be based on the higher of the two ratings unless one of the two ratings is two or more Categories lower than the other, in which case the Applicable Rate shall be determined by reference to the Category next below that of the higher of the two ratings; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall

be determined by reference to the rating most recently in effect prior to such change or cessation.

"Assessment Rate" means, for any day, the annual assessment rate in effect

on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any

law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Acceptance" means an assignment and acceptance entered into

by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form

of Exhibit 1.01 or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective

Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate

multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" means the Board of Governors of the Federal Reserve System of the

United States of America.

"Borrower" means Frontier Corporation, a New York corporation.

"Borrowing" means (a) Revolving Loans of the same Type, made, converted or

continued on the same date and, in the case of Eurodollar Revolving Loans, as to
which a single Interest Period is in effect or (b) a Competitive Loan or group
of Competitive Loans of the same Type made on the same date and as to which a
single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Revolving

Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on

which commercial banks in New York City are authorized or

required by law to remain closed; provided that, when used in connection with a

Eurodollar Loan, the term "Business Day" shall also exclude any day on which

banks are not open for dealings in dollar deposits in the London interbank
market.

"Capital Lease Obligations" of any Person means the obligations of such

Person to pay rent or other amounts under any lease of (or other arrangement
conveying the right to use) real or personal property, or a combination thereof,
which obligations are required to be classified and accounted for as capital
leases on a balance sheet of such Person under GAAP, and the amount of such
obligations shall be the capitalized amount thereof determined in accordance
with GAAP.

"Change in Control" means (a) the acquisition of ownership, directly or

indirectly, beneficially or of record, by any Person or group (within the
meaning of the Securities Exchange Act of 1934 and the rules of the Securities
and Exchange Commission thereunder as in effect on the date hereof), of shares
representing more than 30% of the aggregate ordinary voting power represented by
the issued and outstanding capital stock of the Borrower; (b) occupation of a

majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Borrower by any Person or group.

"Change in Law" means (a) the adoption of any law, rule or regulation after -----
the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.13(b), by any lending office of such Lender or by such Lender's -----
holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Class", when used in reference to any Loan or Borrowing, refers to whether -----
such Loan, or the Loans comprising such Borrowing, are Revolving Loans, or Competitive Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to -----
time.

"Commitment" means, with respect to each Lender, the commitment of such -----
Lender to make Revolving Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or

increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is -----
set forth on Exhibit 2.01, or in the Assignment and Acceptance pursuant to -----
which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$275,000,000.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in -----
accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the -----
Margin or the Fixed Rate, as applicable, offered by the Lender making such

Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive

Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Consolidated Interest Expense" means for any period for which such amount

is being determined, the interest expense of the Borrower and its Consolidated
Subsidiaries for such period, as reported on the relevant financial statements
delivered pursuant to Sections 5.01(a) and 5.01(b).

"Consolidated Net Income" means the net income of the Borrower and its

Consolidated Subsidiaries, after taxes and after extraordinary items, as
determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means the Net Worth of the Borrower and its

Consolidated Subsidiaries, as determined on a consolidated basis in accordance
with GAAP. For this purpose, "Net Worth" of a Person means, at any date of

determination thereof, the excess of total assets of the Person over total
liabilities of the Person, determined in accordance with GAAP.

"Consolidated Tangible Net Worth" means the Tangible Net Worth of the

Borrower and its Consolidated Subsidiaries, as determined on a consolidated
basis in accordance with GAAP. For this purpose, "Tangible Net Worth" of a

Person means, at any date of determination thereof, the excess of total Tangible
Assets of the Person over total liabilities of the Person, determined in
accordance with GAAP.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are

required to be consolidated with the accounts of the Borrower in accordance with
GAAP.

"Control" means the possession, directly or indirectly, of the power to

direct or cause the direction of the management or policies of a Person,

whether through the ability to exercise voting power, by contract or otherwise.
"Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition which (a) constitutes an Event of

Default , (b) upon notice, lapse of time or both would, unless cured or waived,
become an Event of Default, or (c) constitutes a "Default", as such term is
defined in the \$200,000,000 Credit Agreement.

"Disclosed Matters" means the actions, suits and proceedings and the

environmental matters disclosed in Exhibit 3.06.

"dollars" or "\$" refers to lawful money of the United States of America.

"EBITDA" means the sum of the following items measured for the twelve month

period ending on the last day of each fiscal quarter: (a) Consolidated Net
Income calculated after eliminating extraordinary and/or non-recurring items, to
the extent included in the determination of Consolidated Net Income, plus (b)
depreciation, amortization, and all other non-cash charges included in the
determination of Consolidated Net Income, plus (c) income taxes to the extent
that they reduce Consolidated Net Income, plus (d) Consolidated Interest
Expense.

"Effective Date" means the date on which the conditions specified in

Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances,

orders, decrees, judgments, injunctions, notices or binding agreements issued,
promulgated or entered into by any Governmental Authority, relating in any way
to the environment, preservation or reclamation of natural resources, the
management, release or threatened release of any Hazardous Material or to health
and safety matters.

"Environmental Liability" means any liability, contingent or otherwise

(including any liability for damages, costs of environmental remediation, fines,
penalties or indemnities), of the Borrower or any Subsidiary directly or
indirectly resulting from or based upon (a) violation of any Environmental Law,
(b) the generation, use, handling, transportation, storage, treatment or
disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials,
(d) the release or threatened release of any Hazardous Materials into the
environment or (e) any contract, agreement or other consensual arrangement
pursuant to which liability is assumed or imposed with respect to any of the
foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated)

that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043

of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to

whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any

Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other

jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.17(b)), any withholding tax that is imposed

on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.15(e),

except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.15(a).

"Federal Funds Effective Rate" means, for any day, the weighted average

(rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting

officer, treasurer or controller of the Borrower.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Funded Debt" means, with respect to any Person, all Indebtedness of such Person (including current maturities), for money borrowed (including Capital Leases), which by its terms matures more than one year from the date as of which such Funded Debt is incurred, and any such Indebtedness of such Person maturing

within one year from such date which is renewable or extendable at the option of the obligor to a date beyond one year from such date (whether or not theretofore renewed or extended), including any such Indebtedness renewable or extendable at the option of the obligor under, or payable from the proceeds of other Indebtedness which may be

incurred pursuant to, the provisions of any revolving credit agreement or other similar agreement.

"GAAP" means generally accepted accounting principles in the United States

of America.

"Governmental Authority" means the government of the United States of

America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation,

contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and

including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for

collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or

wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign

currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all

obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds,

debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Information Memorandum" means the Confidential Information Memorandum dated September, 1998 relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing

of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates

that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the

period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest

Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Lenders" means the Persons listed on Exhibit 2.01 and any other Person

that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any

Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at

approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such

Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust,

lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" means the loans made by the Lenders to the Borrower pursuant to

this Agreement.

"Margin" means, with respect to any Competitive Loan bearing interest at a

rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect" means a material adverse effect on (a) the

business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under this Agreement or (c) the rights of or benefits available to the Lenders under this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans) or

obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Significant Subsidiaries in an aggregate principal amount exceeding \$10,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Significant Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Significant Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means November 9, 2001.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section

4001(a)(3) of ERISA.

"Other Taxes" means any and all present or future stamp or documentary

taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning set forth in Section 9.04(e).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and

defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien

securing Indebtedness.

"Person" means any natural person, corporation, limited liability company,

trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer

Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which

the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from

time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning set forth in Section 9.04.

"Related Parties" means, with respect to any specified Person, such

Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit

Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided

that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable

pursuant to Article VII or the Commitments expire or terminate, the outstanding

Competitive Loans of the Lenders shall be included in their respective Revolving

Credit Exposures in determining the Required Lenders.

"Revolving Credit Exposure" means, with respect to any Lender at any time,

the sum of the outstanding principal amounts of such Lender's Revolving Loans at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's.

"Significant Subsidiary" means at any time any Subsidiary of the Borrower

(i) whose total assets constituted 10% or more of Consolidated Tangible Net Worth as of the end of the most recent fiscal quarter or (ii) whose "attributable" net income contributed 10% or more of Consolidated Net Income for the fiscal year most recently ended. The percentage of any Subsidiary's net income "attributable" to such Subsidiary for purposes of such computation shall be the same percentage of such Subsidiary's net income as is included in Consolidated Net Income.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the

numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages

(including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in dollars of over \$100,000 with maturities approximately equal to three months, and (b) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date,

any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50%

of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Tangible Assets" means, at any date of determination thereof, in each case

to the extent included in Consolidated Net Worth, total assets minus any share capital discount and expense, any unamortized discount and expense on Indebtedness, any write-up of assets, any excess of cost over market value of investments, any development, pre-operating, pre-production, and start-up expenses, any good will, and any other intangible assets.

"Taxes" means any and all present or future taxes, levies, imposts, duties,

deductions, charges or withholdings imposed by any Governmental Authority.

"Three-Month Secondary CD Rate" means, for any day, the secondary market

rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next

preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Transactions" means the execution, delivery and performance by the

Borrower of this Agreement, the borrowing of Loans, and the use of the proceeds thereof.

"\$200,000,000 Credit Agreement" means the \$200,000,000, 364 day Credit

Agreement, of even date with this Agreement, among the Borrower, The Chase Manhattan Bank, as Administrative Agent, and the Lenders party thereto.

"Type", when used in reference to any Loan or Borrowing, refers to whether

the rate of interest on such Loan, or on the Loans comprising such Borrowing, is

determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result

of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of

this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall

apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires

otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections and Exhibits shall be construed to refer to Articles and Sections of, and Exhibits to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly

provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time;

that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II
The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth

herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be

made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth

in Section 2.04. The failure of any Lender to make any Loan required to be

made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several

and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, (i) each Revolving Borrowing shall be

comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation

of the Borrower to repay such Loan in accordance with the terms of this

Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is

equal to the entire unused balance of the total Commitments. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any

time be more than a total of five (5) Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving

Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

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- (i) the aggregate amount of the requested Borrowing;
 - (ii) the date of such Borrowing, which shall be a Business Day;
 - (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
 - (iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
 - (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and

conditions set forth herein, from time to time during the Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided

that the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Commitments, and provided further that no Competitive Bids may be requested during the existence of a Default. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the

Borrower may submit up to (but not more than) three (3) Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid

Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;
- (iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in

each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to

give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the

Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive

Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a

Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further that if

a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of

\$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be

rounded to integral multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which

the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Funding of Borrowings. (a) Each Lender shall make each

Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not

make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section

and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount, with interest thereon for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Revolving Borrowing initially

shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may, subject to the provisions of Section 2.02(c), elect different options with respect to different

portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were

requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting

Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be

converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Commitments. (a) Unless

previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in

an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments

if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.09, the sum of the Revolving Credit Exposures plus the aggregate

principal amount of outstanding Competitive Loans would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least

three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of

the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Debt. (a) The Borrower

hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date and (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b)

or (c) of this Section shall be prima facie evidence of the existence and

amounts of the obligations recorded therein; provided that the failure of any

Lender or the Administrative Agent to maintain such accounts or any error

therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory

notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. Prepayment of Loans. (a) The Borrower shall have the right

at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section;

provided that the Borrower shall not have the right to prepay any Competitive

Borrowing without the prior consent of the Lender thereof, except in connection with a reduction of Commitments as provided in Section 6.03(b).

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Revolving Borrowing or a Fixed Rate

Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given

in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if

such notice of termination is revoked in accordance with Section 2.07. Promptly

following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to

the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11.

SECTION 2.10. Fees. (a) The Borrower agrees to pay to the Administrative

Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such

Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing

after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(c) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing

shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the

rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to

paragraph (d) of this Section shall be payable on demand, (ii) in the event of

any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of

any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be

ineffective, (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice

do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.13. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount

of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the

Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to

compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs

or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of

any principal of any Eurodollar Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the

failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.09(b) and is revoked in accordance

therewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then,

in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate or LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered

to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.15. Taxes. (a) Any and all payments by or on account of any

obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the

Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or each Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any

payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made

without withholding or at a reduced rate.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees or of amounts payable under Section

2.13, 2.14 or 2.15, or otherwise) prior to 12:00 noon, New York City time, on

the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.13,

2.14, 2.15 and 9.03 shall be made directly to the Persons entitled thereto. The

Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans; provided that (i) if any

such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any

payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or to any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date

such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(b) or 2.16(d), then the Administrative Agent may, in

its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any

Lender requests compensation under Section 2.13, or if the Borrower is required

to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, then such Lender shall use

reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as the case may be, in the future and

(ii) would not subject such Lender to any unreimbursed cost or expense and would

not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13, or if the

Borrower is required to pay any additional amount to any Lender or any
Governmental Authority for the account of any Lender pursuant to Section 2.15,

or if any Lender defaults in its obligation to fund Loans hereunder, then the
Borrower may, at its sole expense and effort, upon notice to such Lender and the
Administrative Agent, require such Lender to assign and delegate, without
recourse (in accordance with and subject to the restrictions contained in
Section 9.04), all its interests, rights and obligations under this Agreement

(other than any outstanding Competitive Loans held by it) to an assignee that
shall assume such obligations (which assignee may be another Lender, if a Lender
accepts such assignment); provided that (i) the Borrower shall have received the

prior written consent of the Administrative Agent, which consent shall not
unreasonably be withheld, (ii) such Lender shall have received payment of an
amount equal to the outstanding principal of its Loans (other than Competitive
Loans), accrued interest thereon, accrued fees and all other amounts payable to
it hereunder, from the assignee (to the extent of such outstanding principal and
accrued interest and fees) or the Borrower (in the case of all other amounts)
and (iii) in the case of any such assignment resulting from a claim for

compensation under Section 2.13 or payments required to be made pursuant to

Section 2.15, such assignment will result in a reduction in such compensation or

payments. A Lender shall not be required to make any such assignment and
delegation if, prior thereto, as a result of a waiver by such Lender or
otherwise, the circumstances entitling the Borrower to require such assignment
and delegation cease to apply.

ARTICLE III
Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Borrower and its

Significant Subsidiaries is duly organized, validly existing and in good
standing under the laws of the jurisdiction of its organization, has all
requisite power and authority to carry on its business as now conducted and,
except where the failure to do so, individually or in the aggregate, could not
reasonably be expected to result in a Material Adverse Effect, is qualified to

do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within

the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a)

do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The

Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended December 31, 1997, reported on by PricewaterhouseCoopers, LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended June 30, 1998, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since December 31, 1997, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Each of the Borrower and its Subsidiaries

has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not

interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no

actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to

any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Borrower

and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status. Neither the Borrower

nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public

SECTION 3.09. Taxes. Each of the Borrower and its Subsidiaries has timely

filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably

expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. The Borrower has disclosed to the Lenders all

agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact

necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to

projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Year 2000. Borrower reasonably expects to complete any

reprogramming required to permit the proper functioning, in and following the year 2000, of (i) the Borrower's and its Subsidiaries' computer systems and (ii) equipment containing embedded microchips (including systems and equipment supplied by others to Borrower) either or both of which Borrower and its Subsidiaries plan to utilize in and following the year 2000, and the testing of all such systems and equipment, as so reprogrammed. The cost to the Borrower and its Subsidiaries of such reprogramming and testing and reasonably foreseeable remediation is not expected to result in a Default or a Material Adverse Effect. Except for remediation referred to in the preceding sentence, the computer and management information systems of the Borrower and its Subsidiaries are expected to continue for the term of this Agreement to be

sufficient to permit the Borrower to conduct its business without Material Adverse Effect.

SECTION 3.13. Significant Subsidiaries. Exhibit 3.13 lists the name,

address and state of incorporation of each Subsidiary that constitutes a Significant Subsidiary as of the date of this Agreement, along with the computation by which Borrower has made such determination. Such Exhibit also describes the Indebtedness of each Significant Subsidiary, and each Lien to which any of the assets of each Significant Subsidiary are subject, on the date hereof.

SECTION 3.14. Borrower's Funded Debt. Exhibit 3.14 describes all Funded

Debt of Borrower as of the date hereof, and no agreement, promissory note or other instrument related to or evidencing such Funded Debt contains any covenant or event of default that is more favorable to the lenders of such Funded Debt than are the covenants and Events of Default in this Agreement to the Lenders.

ARTICLE IV
Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make

Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Martin T. McCue, Esq., Senior Vice President and General Counsel of the Borrower, as counsel for the Borrower, substantially in the form of Exhibit 4.01(b), which opinion shall also cover such other

matters relating to the Borrower, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters

relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) All of the "Commitments" under the \$250,000,000 Revolving Credit Agreement, dated August 9, 1995, as amended, among the Borrower, the Banks signatory thereto and The Chase Manhattan Bank, as Agent shall have been terminated and all principal and interest with

respect to any "Loans" outstanding thereunder shall have been paid in full.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New

York City time, on November 15, 1998 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a

Loan on the occasion of any Borrowing, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct on and as of the date of such Borrowing.

(b) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a)

and (b) of this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Borrower

will furnish to the Administrative Agent and each Lender:

(a) as soon as available and in any event within 100 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by PricewaterhouseCoopers, LLP or other independent public accountants of recognized national standing selected by Borrower (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect

that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) as soon as available and in any event within 55 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the

Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.06 and (iii)

stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in

Section 3.04 and, if any such change has occurred, specifying the effect of

such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on

such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be;

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request; and

(g) with each financial report submitted pursuant to Sections 5.01(a) -----
and 5.01(b), a separate report describing (i) the names of each Significant -----
Subsidiary as of the date of the balance sheet set forth in such report and of each Subsidiary (or former Subsidiary) listed on the last such report but not on the current report, along with the computation by which Borrower determined that each such Subsidiary (or former Subsidiary) did or did not constitute a Significant Subsidiary, (ii) the name, address, form and state of organization of each Subsidiary that became a Significant Subsidiary since the date of Borrower's latest such report, (iii) the Indebtedness of each Significant Subsidiary listed on such report, and each Lien to which any of the assets of each such Significant Subsidiary were subject, as of the date of such report, and (iv) as of the date of such report, the total outstanding Indebtedness of Borrower's Subsidiaries.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to

the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$10,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Borrower will, and will

cause each of its Significant Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to

the conduct of its business; provided that the foregoing shall not prohibit

any merger, consolidation, liquidation or dissolution permitted under Section

6.03.

SECTION 5.04. Payment of Obligations. The Borrower will, and will cause

each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Borrower will,

and will cause each of its Significant Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Borrower will,

and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Significant Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws. The Borrower will, and will cause

each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. The proceeds of the Loans will be used

only for general corporate purposes. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, U and X.

SECTION 5.09. Other Funded Debt of Borrower. If after the date of this

Agreement, Borrower either incurs new Funded Debt (other than pursuant to this Agreement and other than that described in Exhibit 3.14) or amends any

document related to any Funded Debt (other than pursuant to this Agreement) or pursuant to which Borrower has the right to borrow Funded Debt, and if any of the covenants or events of default, contained in any document, agreement or instrument from time to time entered into by the Borrower in respect of such Funded Debt is more favorable to the lenders of such Funded Debt, than are the terms of this Agreement to the Lenders, (i) the Borrower shall promptly notify the Administrative Agent of such incurrence or amendment, (ii) the Administrative Agent shall, in turn, so notify each Lender, and (iii) this Agreement shall be amended to contain each such more favorable covenant or event of default, and the Borrower hereby agrees to so amend this Agreement and to execute and deliver all such documents requested by the Required Lenders to reflect such Amendment. Prior to the execution and delivery of such documents by the Borrower, this Agreement shall be deemed to contain each such more favorable covenant or event of default for purposes of determining the rights and obligations hereunder.

ARTICLE VI
Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness of Subsidiaries. Borrower shall not permit any

of its Subsidiaries to create, incur, assume or suffer to exist any Indebtedness if at the time or as a result thereof the outstanding principal amount of all Subsidiary Indebtedness aggregates or would aggregate more than \$500,000,000. For purposes of the foregoing sentence, the Indebtedness of RTMC Holdings, Inc. described in Exhibit 6.01 shall be subject to the \$500,000,000 maximum only to

the extent that the Indebtedness of Upstate Cellular Network underlying such Indebtedness of RTMC Holdings, Inc. has become due and payable by RTMC Holdings, Inc.

SECTION 6.02. Liens. The Borrower will not, and will not permit any

Significant Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Borrower or any Significant Subsidiary existing on the date hereof and set forth in Exhibit

6.02; provided that (i) such Lien shall not apply to any other property or
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asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions,

renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) Liens securing obligations of a Significant Subsidiary to Borrower or to another Significant Subsidiary;

(d) purchase money Liens on any property hereafter acquired by Significant Subsidiaries that are regulated public utilities, or the assumption by such Subsidiaries of Liens on property existing at the time of such acquisition, or Liens incurred by such Subsidiaries in connection with any conditional sale or other title retention agreements or Capital Leases; and purchase money Liens on transmission equipment hereafter acquired by Significant Subsidiaries that are not regulated public utilities, or the assumption by such Subsidiaries of Liens on transmission equipment existing at the time of such acquisition, or Liens incurred by such Subsidiaries in connection with any acquisition of transmission equipment pursuant to any conditional sale or other title retention

agreements or Capital Leases; and Liens attaching to the assets of businesses acquired by the Borrower or any Significant Subsidiary by merger, consolidation or the purchase of stock, which Liens existed at the time of such acquisition; provided, in each case, that:

(i) any property subject to any of the foregoing is acquired by Borrower or any such Subsidiary in the ordinary course of its business and the Lien on any such property is created prior to or contemporaneously with such acquisition;

(ii) the obligation secured by any Lien so created, assumed or existing shall not exceed 100% of the lesser of cost or fair market value as of the time of acquisition of the property covered thereby to Borrower or such Subsidiary acquiring the same; and

(iii) each such Lien shall attach only to the property so acquired and fixed improvements thereon, and shall secure only those obligations which it secures on the date of such acquisition, and extensions, renewals or replacements thereof that do not increase the outstanding principal amount thereof.

SECTION 6.03. Fundamental Changes. (a) The Borrower will not merge into

or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, any Person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation.

(b) Borrower shall not

(i) permit any Significant Subsidiary to merge or consolidate with, or sell, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person (or enter into any agreement to do any of the foregoing), except that (x) any Significant Subsidiary may merge into or transfer assets to the Borrower; and (xx) any Significant Subsidiary may merge into or consolidate with or transfer assets to any other Subsidiary of the Borrower; or

(ii) sell or dispose of any equity or voting interest in any Significant Subsidiary, except that Borrower shall be permitted to sell or dispose of such equity or voting interest as long as the purchaser or transferee is an entity in which Borrower owns an equity interest;

provided, however, that the transactions prohibited in clauses (i) and (ii)

above shall be permitted as long as (x) the proceeds thereof are received entirely in cash by Borrower or a Significant Subsidiary, as the case may be, and (xx) unless waived by all of the Lenders, upon completion of any such transaction, Borrower reduces the total amount of the Commitments by an amount that is not less than the amount determined in accordance with the next sentence, and Borrower makes any prepayments of outstanding Borrowings necessary to reduce the aggregate outstanding principal balance of all Loans to be less than or equal to the amount of the Commitments as so reduced. The amount by which the total Commitments shall be reduced pursuant to the preceding sentence shall be not less than (z) the amount of the cash proceeds received in the transaction less the expenses of, and any income and other taxes estimated to be due as a result of, the transaction, times (zz) a fraction whose numerator is the total amount of the Commitments prior to such reduction and whose denominator is the sum of such total Commitment amount and the total amount of the available commitments and the aggregate principal amount of the loans outstanding immediately prior to the transaction, under the \$200,000,000 Credit Agreement. If Borrower is required to prepay any Borrowings in connection with a Commitment reduction pursuant to this Section, it shall prepay all Revolving Borrowings in full, prior to prepaying any Competitive Borrowings. If it is then required to prepay all or part of any Competitive Borrowings in order to comply with this Section, Borrower shall notify the Administrative Agent of such prepayment, (which shall promptly notify each Lender whose Competitive Loans comprise the Borrowings that Borrower intends to prepay) not later than 11:00 a.m., New York City time, two Business Days before the Business Day on which the Borrower is required to give a notice of prepayment of such Borrowings pursuant to Section 2.09(b). Such notice shall identify the Competitive Borrowings to be

prepaid, the amount to be prepaid and the prepayment date. If

any Lender whose Competitive Loan or Loans are being prepaid notifies the Administrative Agent and the Borrower prior to the time at which a notice of prepayment is required under Section 2.09(b) that it objects to any prepayment

of one or more of such Loans held by it, specifying such Loans, Borrower will have the obligation, and to the extent that it does not receive such a notice, it shall have the right, in lieu of immediate prepayment, to provide cash collateral to any Lender whose Competitive Loans are being prepaid, in an amount not less than the principal amount being prepaid. The terms of such cash collateral shall be reasonably acceptable to such Lender and to the Administrative Agent.

SECTION 6.04. Transactions with Affiliates. The Borrower will not, and

will not permit any of its Significant Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary

than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its Subsidiaries not involving any other Affiliate.

SECTION 6.05. Restrictive Agreements. The Borrower will not, and will not

permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Significant Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (i) the

foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Exhibit 6.05 (but shall

apply to any amendment or modification expanding the scope of any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions

imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) clause (a) of the foregoing shall not

apply to customary provisions in leases and other contracts restricting the assignment thereof, (vi) clause (b) of the foregoing shall not apply to

Subsidiaries that are regulated public utilities, to the extent that the agencies charged with regulating them (as public utilities) may specifically prohibit or limit dividend payments, (vii) the foregoing shall not apply to restrictions that apply to Significant Subsidiaries that were acquired as Subsidiaries after the date hereof,

if such Significant Subsidiaries were subject to such restrictions at the time of acquisition and if such restrictions do not extend to Borrower or any other Significant Subsidiary, and (viii) clause (b) of the foregoing shall not apply

to the existence and operation of financial covenants, such as maximum debt to net worth or minimum working capital ratios, as long as they do not specifically prohibit or restrict dividend payments or other distributions.

SECTION 6.06. Interest Coverage. The Borrower will not permit the ratio

of EBITDA to Consolidated Interest Expense to be less than 4.50 to 1 for each

twelve month period ending on the last day of each fiscal quarter.

ARTICLE VII
Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay (i) any interest on any Loan or any facility fee payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days, or (ii) any other fee or any other amount payable under this Agreement (other than an amount referred to in clause (a) or

clause (b) (i) of this Article), when and as the same shall become due and

payable, and such failure shall continue unremedied for a period of ten days after notice to the Borrower from the Administrative Agent or from the Lender to which such amount is payable;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the

Borrower's existence only) or 5.08 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those

specified in clause (a), (b) or (d) of this Article), and such failure

shall continue unremedied for a period of 30 days;

(f) the Borrower or any Significant Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause shall

not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Significant Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h)

of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any Significant Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$10,000,000 shall be rendered against the Borrower, any Significant Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the

Borrower or any Significant Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

(m) a Change in Control shall occur;

(n) the occurrence of an "Event of Default", as such term is defined in the \$200,000,000 Credit Agreement.

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter

during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i)

of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the

Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or

wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other

than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may

perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the

benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit

analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX
Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other

communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be

delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at 180 South Clinton Avenue, Rochester, New York 14646, Attention of Treasurer (Telecopy No. (716) 325-7638), with a copy to 180 South Clinton Avenue, Rochester, New York 14646, Attention of Corporate Counsel (Telecopy No. (716) 325-7639);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, 1 Chase Square, Rochester, New York 14643, Attention of Benedict A. Smith, (Telephone No. (716) 258-5669; Telecopy No. (716) 258-4258);

(c) if to any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the

Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of

any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be

effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no

such agreement shall (i) increase the Commitment of any Lender without the

written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.16(b) or (c) in a manner that would alter the pro rata sharing

of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or

otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall

pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and

all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnatee, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the

Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to

any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this

Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage,

liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this

Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and

void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in

the case of an assignment to a Lender or an Affiliate of a Lender, each of the

Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to rights in

respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 with respect to each assignment other than an assignment by a Lender to one of its Affiliates, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further

that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII

has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date

specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 and 9.03). Any assignment or transfer by

a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be

conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof

as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of

this Section and any written consent to such assignment required by paragraph

(b) of this Section, the Administrative Agent shall accept such Assignment and

Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations

under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement

shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such

agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant.

Subject to paragraph (f) of this Section, the Borrower agrees that each

Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to

the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted

by law, each Participant also shall be entitled to the benefits of Section 9.08

as though it were a Lender, provided such Participant agrees to be subject to Section 2.16(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 than the applicable Lender would have been entitled

to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the

Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section

2.15(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security

interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and

warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15 and 9.03 and Article VIII shall survive and remain in

full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement

may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings,

oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been

executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear

the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be

invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred

and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding

shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably -----
waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this -----
Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO -----
THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of -----
Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the -----
Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder

or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any

prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received

from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the

case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein

to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the

maximum lawful rate (the "Maximum Rate") which may be contracted for, charged,

taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SIGNATURE PAGES S-1 THROUGH S-11 TO FOLLOW.

FRONTIER CORPORATION

/s/ Joseph P. Clayton

By _____

Name: Joseph P. Clayton
Title: Chief Executive Officer and
President

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent,

/s/ Benedict A. Smith

By _____

Name: Benedict A. Smith
Title: Vice President

FLEET BANK

/s/ Martin K. Birmingham

By _____

Name: Martin K. Birmingham
Title: Vice President

MARINE MIDLAND BANK

/s/ Keith E. Cleary

By _____

Name: Keith E. Cleary
Title: Vice President

KEYBANK, NATIONAL ASSOCIATION

/s/ Lawrence A. Mack

By _____

Name: Lawrence A. Mack
Title: Senior Vice President

FIRST NATIONAL BANK OF CHICAGO

/s/ Michael J. Harrington

By _____

Name: Michael J. Harrington

Title: Corporate Banking Officer

PNC BANK, NATIONAL ASSOCIATION

/s/ Steffen W. Crowther

By _____

Name: Steffen W. Crowther

Title: Vice President

REVOLVING COMMITMENT
VEHICLE CORPORATION

/s/ James Dwyer

By _____

Name: James Dwyer

Title: Vice President

STAR BANK

/s/ Thomas D. Gibbons

By _____

Name: Thomas D. Gibbons

Title: Vice President

MANUFACTURERS AND TRADERS TRUST COMPANY

Ellen M. Wayne

By _____

Name: Ellen M. Wayne

Title: Vice President

CREDIT SUISSE FIRST BOSTON

/s/ Judith E. Smith

By _____

Name: Judith E. Smith

Title: Director

EXHIBIT 1.01

[FORM OF]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of [] (as amended and in effect on the date hereof, the "Credit Agreement"), among Frontier

 Corporation, the Lenders named therein and The Chase Manhattan Bank, as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named on the reverse hereof hereby sells and assigns, without recourse, to the Assignee named on the reverse hereof, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and

 obligations under the Credit Agreement, including, without limitation, the interests set forth on the reverse hereof in the Commitment of the Assignor on the Assignment Date and Competitive Loans and Revolving Loans owing to the Assignor which are outstanding on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.15(e) of the

 Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 9.04(b) of the Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment ("Assignment Date"):

Facility -----	Principal Amount Assigned (and identifying information as to individual Competitive Loans) -----	Percentage Assigned of Facility/ Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder) -----
-------------------	---	--

 Commitment Assigned: \$ _____ %

Revolving Loans:

Competitive Loans:
=====

The terms set forth above and on the reverse side hereof are hereby agreed to:

[Name of Assignor] , as Assignor

By: _____
Name:
Title:

[Name of Assignee] , as Assignee

By: _____
Name:
Title:

The undersigned hereby consent to the within assignment:

Frontier Corporation

The Chase Manhattan Bank,
as Administrative Agent,

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT 2.01
COMMITMENTS

LENDER	COMMITMENT
The Chase Manhattan Bank	\$55,000,000
Fleet Bank	\$34,736,842
Marine Midland Bank	\$34,736,842
KeyBank, National Association	\$28,947,368
First National Bank of Chicago	\$28,947,368
PNC Bank, National Association	\$23,157,896
JP Morgan	\$20,263,158
Star Bank	\$20,263,158
Manufacturers and Traders Trust Company	\$14,473,684
Credit Suisse First Boston	\$14,473,684
Total	\$275,000,000

EXHIBIT 3.06
DISCLOSED MATTERS

As of the date of this Credit Agreement, other than as disclosed in Borrower's reports previously filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, there are no actions, suits or proceedings pending or, to the knowledge of Borrower or any of its Subsidiaries threatened before any court, governmental agency or arbitrator, which could, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of Borrower or any such Subsidiary or the ability of Borrower to perform its obligations under the Facility Documents; however, the Borrower does not expect that such disclosed matters could reasonably be expected to result in a Material Adverse Effect.

EXHIBIT 3.13
SIGNIFICANT SUBSIDIARIES

EXHIBIT 3.14
BORROWER'S FUNDED DEBT

generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

3. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

4. There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to my knowledge, threatened against or affecting the Borrower or any of its Subsidiaries (a) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect (other than the Disclosed Matters) or (b) that involve the Credit Agreement or the Transactions.

5. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

I am a member of the bar of the States of Illinois and New Jersey and in the District of Columbia, but I am not admitted to the bar of the State of New York. I am however, familiar with the laws of the State of New York and the foregoing opinion is limited to the laws of the State of New York and the Federal laws of the United States of America. This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by any other Person (other than your successors and assigns as Lenders and Persons that acquire Participations in your Loans) without my prior written consent.

Very truly yours,

Martin T. McCue
Senior Vice President and
General Counsel

EXHIBIT 6.01
EXCLUDED INDEBTEDNESS OF RTMC HOLDING, INC.

Upstate Cellular Network ("UCN") is a New York general partnership. Subsidiaries (direct and indirect) of the Borrower own an aggregate of 50% of the general partnership interests in UCN. RTMC Holding, Inc. is an indirect Subsidiary of the Borrower and is a general partner of UCN, owning 41.6% of the general partnership interests in UCN. Under the New York Partnership Law, RTMC Holding, Inc. is liable for UCN's indebtedness under a revolving credit facility with commitments totaling \$120,000,000. Such liability will become payable in the event that the assets of UCN are insufficient to discharge such revolving credit indebtedness.

	Outstanding Indebtedness
Upstate Cellular Network	As of 9/30/98

Credit Agreement	\$101,500,000

EXHIBIT 6.02
LIENS

Borrower and its Subsidiaries are not subject to any Lien or Liens that are individually or in the aggregate material to Borrower's financial condition, assets or Consolidated Net Worth.

EXHIBIT 6.05
CERTAIN RESTRICTIONS AND CONDITIONS

None.

Frontier Corporation

Executive Compensation Program

1998

April, 1998

Compensation Philosophy

The philosophy of Frontier Corporation's Compensation Program is to offer performance-based compensation to attract, retain and motivate key employees who are best positioned to achieve the goals of the Corporation and maximize value to its shareowners. The compensation program encompasses the following elements:

- . Base Salary
- . Annual Bonus
- . Long-Term Incentive Plan
- . Benefits

The Executive Compensation Program is the responsibility of the Committee on Management of the Frontier Board of Directors. The Program is reviewed annually for competitiveness.

The following is a brief summary of the complete Executive Compensation Program currently in place and available to senior management of Frontier Corporation. The Company reserves the right to change any and all aspects of

the Plans included in this Program as it sees fit, from time to time. The benefits and perquisites addressed herein supplement the general management fringe benefits provided by the Company.

Salary Plan

Nine non-sales and 3 sales compensation levels are delineated within the Program. Salary ranges for 1998 are as follows:

TITLE	RANGE
-----	-----
CEO	\$526,000 - 914,000
Vice Chairman	\$285,000 - 500,000
COO	\$285,000 - 500,000
Executive Vice President	\$230,000 - 400,000
Senior Vice President	\$183,000 - 320,000
Vice President 1	\$159,000 - 278,000
Vice President 2	\$118,000 - 207,000
Senior Director	\$ 90,000 - 158,000
Director	\$ 74,000 - 130,000
Executive VP Sales	\$159,000 - 278,000

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Senior VP Sales	\$118,000 - 207,000
VP Sales	\$ 82,000 - 155,000

Short-Term Incentive Plan (annual bonus)

The Short-Term Incentive Plan (STI) is designed to provide a superior reward to outstanding performers. Actual bonus awards are a function of corporate financial performance and customer and employee results measured against pre-established objectives. Earnings per share is the gate. Threshold level performance must be attained for this measure in order for a bonus to be paid. Once achieved, performance is measured in four categories, with weightings as follows:

Measurement	Weighting
-----	-----
Revenue	30%
Operating Income	50%
Customer Churn	10%
Employee Initiated Churn	10%

The Open Market Plan agreement with the New York State Public Service Commission stipulates that employees of Frontier Telephone of Rochester must be compensated on objectives associated with its performance, not those of the

consolidated Frontier Corporation. The Upstate Cellular Network (UCN) is a partnership between Frontier and Bell Atlantic/NYNEX which governs its financial targets. As such, those Frontier Telephone of Rochester and UCN employees participating in the Executive Compensation program will be measured on their respective business unit financial objectives. Also, for 1998, in conjunction with the acquisition, Frontier GlobalCenter will be measured on objectives specific to its operations.

STI pay out opportunities are as follows:

	Threshold	Standard	Premier
CEO	50.0%	100.0%	175.0%
Vice Chairman*	30.0%	60.0%	105.0%
COO*	30.0%	60.0%	105.0%
Executive Vice President	30.0%	60.0%	105.0%
Senior Vice President	25.0%	50.0%	87.5%
Vice President 1	22.5%	45.0%	79.0%
Vice President 2	17.5%	35.0%	61.5%
Senior Director	15.0%	30.0%	52.5%
Director	12.5%	25.0%	44.0%
Executive VP Sales	22.5%	45.0%	79.0%
Senior VP Sales**	10.0%	20.0%	35.0%

* Vacant positions for which range has not been updated for current market

** Also participates in sales incentive plan

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Threshold, standard and premier corporate performance objectives are approved by the Committee on Management annually. If threshold performance for earnings per share is not attained, no bonus will be paid.

The Committee has established the following objectives for 1998:

	Threshold	Standard	Premier
	-----	-----	-----
Earnings per share	\$.96	\$ 1.04	\$ 1.14
Revenue (Millions)	\$2,571.0	\$2,635.0	\$2,710.0
Operating Income (millions)	\$ 328.3	\$ 349.5	\$ 376.8
Customer Churn	3.25%	3.10%	2.95%
Employee Initiated Churn	20.0%	17.5%	15.0%

The final bonus calculation may include a discretionary component to reflect individual circumstances. Discretion may account for up to + or - 25%.

The final bonus award, after application of the discretionary factor, may not exceed the premier percent presented above.

Bonus payments are made in the first quarter following the end of the year for which the award is earned. Payment is usually made in a lump sum; however, an eligible employee may defer payment of all or part of the bonus to a subsequent year.

The election to defer a bonus must be made prior to the beginning of the year in which the bonus is earned. The Company will establish an account or a fund for maintaining a deferred bonus and will credit interest to the deferred bonus at the rate established from time to time for interest paid on Frontier's telephone customers' deposits. The deferred bonus plus the earnings associated with it will be paid to the employee as specified in the deferral election.

Long Term Incentive

Frontier Corporation provides long term incentives through two plans; the Management Stock Incentive Plan and the Employees' Stock Option Plan. Stock Options are available in both Plans while the Management Plan also provides for the granting of restricted stock. The intent of both Plans is to align employees' actions and performance with the goals and objectives of shareowners.

. Management Stock Incentive Plan

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All Executive group participants are eligible for grants under this Plan.

Restricted Stock is available as a component of compensation.

The Plan offers flexibility such that grants may vest with passage of time, performance parameters or a combination of both. Performance parameters may include, but not be limited to, one or more of the following.

- total shareowner return
- earnings per share growth
- cash flow growth
- return on equity

It is expected that restricted stock will be used selectively among the executive group.

Under the Management Stock Incentive Plan either Incentive Stock Options or Non-Qualified Stock Options may be granted.

The closing New York Stock Exchange price of Frontier common stock on the

grant date becomes the exercise price at which the stock may be purchased. Option grants are valid for up to ten years and are exercisable as follows:

1. Up to 1/3 of the granted options can be exercised one year following the date of the grant,
2. A second 1/3 can be exercised beginning on the second anniversary of the grant, and
3. The final 1/3 can be exercised beginning on the third anniversary.

. Employees' Stock Option Plan

Executive group employees below the level of Senior Vice President are eligible for grants under this Plan.

All options granted under this plan will be Non-Qualified Stock Options. The closing New York Stock Exchange price of Frontier common stock on the grant date becomes the exercise price at which the stock may be purchased. Option grants are valid for up to ten years and are fully (100%) vested and become exercisable on the second anniversary of the grant date.

Executive Stock Ownership

Frontier is increasingly emphasizing the importance of employee stock ownership. Stock ownership supports the company's objective of effective teamwork at all levels and aligns employee goals with those of shareowners. Stock ownership guidelines have been established for executives to be attained over a five-year period, by the later of January 1, 1999 or 5 years after joining Frontier. The targets are as follows:

Position	Times Annual Salary
-----	-----
CEO	4.0
Vice Chairman	4.0
COO	4.0
Executive Vice President	4.0
Senior Vice President	3.0
Vice President 1	2.5
Vice President 2	2.0
Senior Director	1.0
Director	1.0
Executive VP Sales	2.5
Senior VP Sales	2.0
VP Sales	1.0

Executive Benefit Plans

Frontier provides an array of health care, retirement, paid time off, holiday and sickness benefits to its employees. The Executive group shares in this program plus other programs, as appropriate, to offer a comprehensive and competitive compensation package.

Frontier has recognized the impact of legislation and various tax rulings on executive management and has created a package of benefit arrangements to protect its executives from some of the consequences. These and other supplemental benefits are highlighted below. Some differentiation of benefits exists among levels in the Program.

. Supplemental Retirement Savings Plan (SRSP)

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This plan provides for the continuance of 401(k) deferred compensation [Employees' Retirement Savings Plan (ERSP)] for highly compensated employees who exceed the statutory annual IRS limited for qualified plans (\$10,000 in 1998).

Company policy provides all employees the option to contribute up to 16% of their annual base salaries and annual bonuses into the ERSP program. SRSP is a non-qualified plan that allows those higher salaried executives to participate in a deferred retirement savings plan beyond the statutory limit up to the maximum 16% ceiling. A non-qualified plan is defined as an unfunded benefit plan in accordance with the Internal Revenue Code. As such, the corporation is the ultimate payer of benefits and all accounts are subject to claims of the Company's creditors.

The plan is administered by Marine Midland Bank, N.A., as its Trustee, which establishes individual accounts for each participant. Contributions to the plan can be fully invested in, or split between any of eight funds (money market, S&P 500 Index, Putnam Income, Putnam Voyager, Putnam Global Growth, Putnam Growth and Income, Putnam Asset Allocation - Balanced Portfolio and Frontier stock) that are currently offered. Company contributions, which follow the same schedule as under ERSP, are invested in Frontier stock. Funds will be distributed upon termination of employment.

. Supplemental Management Pension Plan (SMPP)

This non-qualified plan allows payment above the government restriction applicable to qualified pension plans. If any qualified employee's age 65 pension exceeds the limit under the Management Pension Plan (MPP), \$130,000 in 1998, the difference will be provided through corporate assets or from a trust

established by the Company for this purpose. SMPP was frozen as of December 31, 1996. To participate under this plan, an individual must have been a Frontier employee prior to January 1, 1995 and be a participant in a qualified defined benefit pension plan.

. Supplemental Executive Retirement Program (SERP)

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This non-qualified program provides an enhanced retirement benefit to those at Vice President 1 level and above. The plan has an accrual and vesting schedule based on years of service and age. The maximum benefit of 60% of final compensation (highest consecutive three-year average salary plus bonus) less any amounts paid through the regular MPP and regular SMPP formulas, will be paid to an executive retiring at age 50 or older with 30 or more years of service.

Accrual: 2.5% for each of the first 15 years
1.5% for each of the next 15 years
0.0% beyond 30 years

Vesting: 0% first 5 years
100% for year 6 and beyond

Participants must be age 50 or over to receive this benefit. SERP will be frozen as of December 31, 1999. No new participants were admitted after December 31, 1995. SERP participants who retire between January 1, 1997 and December 31, 1999 are eligible for enhanced medical and life insurance coverage consistent with that offered through 1996.

. Life Insurance

Life insurance for the executive group follows the program provided non-bargaining unit employees through the Tel Flex Program. The Company provides \$10,000 of insurance and the employee is able to purchase additional coverage in various increments up to a total of \$990,000 of coverage. At retirement an executive may elect to continue coverage at his/her expense up to age 65.

. Financial Planning Services

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The Company offers executives the ability to engage an independent financial consultant to assist with their personal financial planning. The AYCO Corporation has been retained and is available to all executives holding the position of Senior Vice President or higher. For those executives wishing to select another consultant, costs associated with this service will be reimbursed as follows:

- a maximum of \$11,605 per year, in year one

- a maximum of \$6,960 per year thereafter, until
- a maximum of \$11,605 in the year preceding retirement

Financial planning services for other executives are available as a component of Flexible Perquisites.

. Automobile/Club Membership

All executives who hold the position of Senior Vice President or above have access to vehicles which are provided and maintained by the Company. The Company pays for parking at the Corporate Headquarters location. These officers are also reimbursed for membership in two clubs of his/her choice.

. Telecommunication Services

Executives who hold the position of Senior Vice President or higher receive cellular phones and free cellular services. These individuals also receive totally free usage (business and personal) of Frontier Long Distance credit cards and local residential telephone service. Executives who were at senior director and above prior to January 1, 1996 receive this benefit and are "grandfathered" under the plan.

. Flexible Perquisites

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This plan allows executives to choose from a menu of perquisites which includes:

- automobile procurement allowance via purchase, financing or lease; operating costs are not covered by this program.
- legal or financial counseling; tax preparation.
- club membership and dues for luncheon or country clubs (maximum, two clubs); club initiation fees and usage charges are not covered by this program.
- home computer and accessories.
- personal excess liability insurance.
- supplemental life insurance
- telecommunications services

The menu dollar limit is:

CEO*

\$40,000

Vice Chairman*	30,000
COO*	30,000
Executive Vice President*	18,000
Senior Vice President*	15,000
VP 1, Executive VP Sales	12,000
VP 2	8,000
Senior VP Sales, VP Sales	5,000
Senior Director	5,000
Director	2,500

*Eligible alternatively for Discrete Plan Benefits listed above.

Additionally, anyone in a lower salary level already under an alternate or discrete benefit plan, as of December 31, 1995, is "grandfathered" on these plan benefits. If, for business reasons, the Company elects to provide a vehicle to an executive, the menu dollar limit will be reduced accordingly.

Payments under this plan are automatically applied to the individual's semi-monthly pay check under a separate designation of "exec perq".

. Paid Time Off

Executives are eligible for six holidays plus paid time off (PTO) to be used for sickness, personal and vacation needs. Annual PTO days are based on the following schedule:

<TABLE>
<CAPTION>

Annual days off based on years of service

	0-4	5-14	15-24	25 & Above
	---	----	-----	-----
<S>	<C>	<C>	<C>	<C>
CEO, Vice Chairman				
COO, EVP, SVP	39	39	39	39
VP 1, Executive VP Sales				
VP 2, Senior VP Sales, VP Sales	34	34	34	34
Senior Director	29	29	29	34
Director	24	24	29	34

</TABLE>

. Annual Physical Exam

All executive group employees are eligible for, and strongly encouraged to have, an annual company paid physical exam. Invoices should be paid by the employee and receipts submitted to the benefit office for reimbursement. Payment will be made in a subsequent paycheck and is not taxable.

FRONTIER CORPORATION

EMPLOYEES' STOCK OPTION PLAN

Amendment No. 1

Pursuant to Section 12, the Plan is amended, effective January 1, 1999, by deleting the first paragraph of Section 7 in its entirety and substituting in its place the following:

If the employment of a participant terminates by reason of the participant's disability or death, any option may be exercised, in the case of disability, by the participant or, in the case of death, the participant's designated beneficiary (or personal representative if there is no designated beneficiary) at any time prior to the earlier of the expiration date of the option or the expiration of one year after the date of disability or death, but only if, and to the extent that, the participant was entitled to exercise the option on the date of his disability or death. If the employment of a participant terminates on account of retirement, all of the participant's outstanding options shall become immediately vested and these options together with previously vested but unexercised options may be exercised at any time prior to the earlier of the expiration date of the option or the expiration of 13 months from the date of retirement. For this purpose, "retirement" means any termination of employment on or after a participant is entitled to receive an early retirement benefit under any defined benefit pension plan maintained by the Company or an affiliate in which the participant has an accrued benefit. If the participant does not have an accrued benefit in any such plan, "retirement" means the participant's termination of employment on or after he has reached age 55. Upon termination of the participant's employment for any reason other than retirement, disability or death, all non-vested options held by the participant shall be forfeited and any options that are vested on the date of termination may be exercised prior to the earlier of the expiration date of the option or the expiration of 90 days from the date of termination. Notwithstanding the foregoing, an option may not be exercised after retirement if the Committee reasonably determines that the termination of employment of such participant resulted from willful acts, or failure to act, by the participant detrimental to the Company or any of its subsidiaries.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this amendment on its behalf this 9th day of December 1998.

FRONTIER CORPORATION

/s/ Barbara J. LaVerdi

By: -----
Barbara J. LaVerdi, Assistant Secretary

FRONTIER CORPORATION

MANAGEMENT STOCK INCENTIVE PLAN

Amendment No. 2

Pursuant to Section 14, the Plan is hereby amended, effective as of the dates and under the conditions specified below, by deleting current Section 9(a) and substituting in its place the following:

(a) Options

If the employment of a participant terminates by reason of the participant's disability or death, any option may be exercised, in the case of disability, by the participant or, in the case of death, the participant's designated beneficiary (or personal representative if there is no designated beneficiary) at any time prior to the earlier of the expiration date of the option or the expiration of one year after the date of disability or death, but only if, and to the extent that the participant was entitled to exercise the option at the date of disability or death. If the employment of a participant terminates on account of retirement, all of the participant's outstanding options shall become immediately vested and these options together with previously vested but unexercised options may be exercised prior to the earlier of the expiration date of the option or the expiration of 13 months from the date of retirement. For this purpose, "retirement" means any termination of employment on or after a participant is entitled to receive an early retirement benefit under any defined benefit pension plan maintained by the Company or an affiliate in which the participant has any accrued benefit. If the participant does not have an accrued benefit in any such plan, "retirement" means the participant's termination of employment on or after he has reached age 55. Upon termination of the participant's employment for any reason other than retirement, disability or death, all nonvested options held by the participant shall be forfeited and any options that are vested on the date of termination may be exercised prior to the earlier of the expiration date of the option or the expiration of 90 days from the date of termination. An option that remains exercisable after the expiration of three months from termination of employment shall be treated as a NQSO after three months even if it would have been treated as an ISO if exercised within three months of termination. Notwithstanding the foregoing, an option may not be exercised after retirement if the Committee reasonably determines that the termination of employment of such participant resulted from

willful acts, or failure to act, by the participant detrimental to the

Company or any of its subsidiaries.

Effective Dates: The reduction, in the first sentence, from three years to

one year in the right to exercise options following disability is
effective for options granted after December 31, 1998.

The definition of retirement, in the new third sentence, is
effective January 1, 1999.

The provisions in the second sentence for the vesting and
exercising of options on account of retirement are effective for
options granted after December 31, 1998.

The provisions in the fifth sentence concerning the exercise
of options upon termination of employment for reasons other than
disability, death or retirement are effective January 1, 1999.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to
execute this amendment on its behalf this 9th day of December 1998.

FRONTIER CORPORATION

/s/ Barbara J. Laverdi
By -----
Barbara J. LaVerdi

Title: Assistant Secretary

FRONTIER CORPORATION
MANAGEMENT STOCK INCENTIVE PLAN

Amendment No. 3

Pursuant to Section 14, the Plan is hereby amended as follows:

Effective April 26, 1995, Section 4, paragraph second, is hereby deleted and replaced by the following new paragraph in order to clarify the aggregate number of shares that may be the subject of awards granted to any one participant:

The total number of shares covered by all awards granted under this Plan to any one participant in any one calendar year may not exceed 500,000. The Committee may issue awards in any combination it may choose provided that the total shares under all such awards does not exceed the 500,000 aggregate limit.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this amendment on its behalf this 26th day of February, 1999.

FRONTIER CORPORATION

/s/ Barbara J. LaVerdi
By -----
Barbara J. LaVerdi
Title: Assistant Secretary

FRONTIER CORPORATION

SUPPLEMENTAL MANAGEMENT PENSION PLAN

Amendment No. 2

Pursuant to Section 6.1, the Plan is amended, effective August 1, 1997, by deleting the first sentence of the second paragraph of Section 3.1 and substituting the following in its place:

And otherwise eligible employee who, without the consent of the Board, engages in any activity inimical to the interests of any Participating Company within two years of retirement shall cease being eligible to receive any further benefits after commencing such activity, provided that upon a Change in Control this sentence shall have no effect.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this amendment on its behalf this 10th day of August 1998.

FRONTIER CORPORATION

/s/ Barbara J. LaVerdi

By: -----
Barbara J. LaVerdi, Assistant Secretary

December 1, 1998

Mr. Donald F. Detampel, Jr.

Dear Don:

The Board of Directors (the "Board") of Frontier Corporation, on behalf of Frontier and its subsidiaries and affiliates (together, the "Company") has determined that it is in the best interests of the Company and its shareowners to be able to avail itself of your continued dedication and service to the Company in the immediate future and in case of Change of Control, as defined later in this letter agreement ("Agreement"). It is therefore the intent of this Agreement to encourage your complete dedication to the Company by providing you with compensation and benefits arrangements while you fulfill your duties now and during the pendency of a Change of Control, should such an event occur, which provide you with a measure of security commensurate with your importance to the Company.

Therefore, upon your signature on a counterpart of this Agreement, the following terms and conditions shall become effective as of December 1, 1998. This Agreement supersedes in its entirety the current agreement that you have with Frontier, dated as of June 1, 1996. However, this Agreement does not supersede any stock option agreements or restricted stock grant agreements between the Company and you, all of which shall remain in full force and effect.

1. Employment.

1.1 Term. The Company shall employ you as a senior vice president or in

such comparable management capacity as the Company may from time to time designate but at no lower level. This Agreement shall have an initial term ("Term") of two (2) years, ending November 30, 2000. This Agreement shall continue from year to year thereafter, unless earlier terminated or extended in accordance with its terms. You acknowledge that, except as set forth in this Agreement, your employment is "at will".

If, during the Term, a "person" (as that term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) commences any action that, if consummated, would result in a Change of Control of the Company or if any person publicly announces an intention or proposal to commence any such action, you agree that you will not leave the Company's employ

(other than as a result of death or Disability), you will render the services contemplated in this Agreement for the reasonable duration of the Company's defense against such action and until such action has been abandoned or terminated or a Change in Control has occurred, and you will actively promote the Company's interest during such period.

Any termination of your employment during the Term for reasons other than your death shall be evidenced by a written notice ("Notice of Termination"), which shall specify the provision of this Agreement relied upon for such termination and describe with reasonable detail the facts and circumstances claimed by the sender of such Notice of Termination to provide the basis for termination. Any such Notice of Termination shall also specify the effective date of termination (the "Termination Date"). If you die during the Term, the Termination Date shall be the date of your death, except as otherwise provided herein.

1.2 Present and Future Duties. Your role in the Company shall be that of

its executive with authority over the product management and marketing of the data products of its subsidiaries, and you also shall have supervisory authority with respect to the Company's Global Center subsidiary and such other areas as the board or the chief executive officer of the Company may from time to time determine. You shall perform all duties required of or incidental to your position with the Company, or as may be assigned to you, and which are reasonably consistent with this role and your other responsibilities. You agree to use your best efforts in the business of the Company and to devote your full time attention and energy to the business of the Company. You agree not to work, either on a part-time or independent contracting or consulting basis, with or without compensation, for any other business or enterprise during the Term without the Company's prior consent. Such consent shall not be unreasonably withheld in the case of service on the boards of directors of other corporations, industry groups and community organizations.

1.3 Base Compensation. The Company shall pay you as base compensation at

an annual salary rate of \$275,000 until February, 1999, in installments in accordance with the Company's policies from time to time in effect. Thereafter, your annual salary may be further adjusted by the Company consistent with the Company's results and your performance during the prior year. However, unless the annual salaries of all executives at your level in the Company are reduced across-the-board, your annual salary in any year shall not be less than your annual salary during the prior year.

1.4 Incentive Compensation. The Company shall establish and review with

you for 1999 and thereafter the performance goals ("Performance Goals") for the Company and for you individually, and a methodology for calculating the amount of incentive compensation to be paid upon achievement of such Performance Goals. Your eligibility for a corporate bonus will be calculated on the same basis as

other similarly situated executives. Incentive compensation shall be payable to you at such time or times as are established under the Company's policies (including the Company's Executive Compensation Program) in effect from time to time. Any additional option awards are addressed in a separate document that is consistent with the applicable plan.

1.5 Benefits; Perquisites. You shall be entitled to receive the benefits

and perquisites provided by the Company under its

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Executive Compensation program in effect from time to time for executives at the senior vice president level.

1.6 Expenses. You shall be reimbursed for any reasonable expenses

prudently incurred in connection with your employment during the Term, upon presentation to the Company of an itemized account and receipts of such expenses as required by the Company's policies from time to time in effect.

2. Developments and Intellectual Property. You acknowledge that all

developments, including but not limited to trade secrets (including strategies, business plans and customer lists), discoveries, improvements, ideas and writings which either directly or indirectly relate to or may be useful in the business of the Company (the "Developments") which you, either alone or in conjunction with any other person or persons, shall conceive, make, develop, acquire or acquire knowledge of during the Term are the sole and exclusive property of the Company. You will cooperate with the Company's reasonable requests to obtain or maintain rights or protections under United States or foreign law with respect to all Developments. The Company will reimburse you for all reasonable expenses incurred by you in order to comply with this provision of this Agreement, regardless of when such expenses may be incurred.

3. Confidential Information. You acknowledge that by reason of your

employment by the Company, especially as a senior executive thereof, you will in the future have access to information of the Company that the Company deems to be confidential and/or proprietary, including but not limited to, information about the Company's target markets and customer segments, strategies, plans, products and services, methods of operation, employees, financial forecasts and results, sales, profits, expenses, customer lists and the relationships between the Company or a subsidiary and its customers, suppliers and others who have business dealings with it. You covenant and agree that during the Term and thereafter, without time or geographic limitation, you will not disclose any such information to any person without the prior written authorization of the Chief Executive Officer of the Company or the Board.

If your employment ends for any reason other than your death, you agree to

return promptly to Company all such information and any other tangible product or document which has been produced or received by, or otherwise submitted to you during your employment, and no copies shall be retained by you or made available to any other person or entity. This provision includes but is not limited to information printed or stored on paper, magnetic tape, floppy disks, hard drives or other computer storage media.

4. Non-Competition.

4.1 Covenant. You and the Company acknowledge that you have a special,

unique and extraordinary expertise in telecommunications, and that in your employment with the Company, you will have continuing access to information about the Company's target markets, strategies,

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plans, product or service offerings, methods of operation, financial and operating expectations and results, customer base, sales, marketing and pricing strategies, most valued employees, and customer and supplier relationships. In consideration of the benefits provided to you under this Agreement, which you acknowledge are independent consideration, you covenant and agree that during the Restricted Period (as defined below), you will not, directly or indirectly, without the Company's prior consent, own, manage, operate, finance, join, control or participate in the ownership or control of, or be associated as an officer, director, executive, partner or principal, agent, representative, consultant or otherwise with, or use or permit your name to be used in connection with, any enterprise that directly or indirectly competes (as defined below) with any telecommunications business of the Company in a Restricted Area (as defined below). You acknowledge that so long as you are able to use your skills for enterprises that do not directly or indirectly compete with the business of the Company, you will not be unreasonably limited in your ability to work.

4.2 Definitions.

4.2.1 "Competes" means the production, marketing, promotion, distribution or selling of any product, capability, functionality or service of any person or entity other than the Company which resembles or competes with a product or service produced, marketed, promoted, distributed or sold by the Company (or to your knowledge was under development by the Company) during the period of your employment by the Company (whether under this Agreement or otherwise).

4.2.2 "Restricted Area" means:

(a) The Standard Metropolitan Statistical Area (or an equivalent Census Office classification for an equal or larger populated area) in

which any Company business office or sales office, or Company place of employment is located, which office or place has more than ten (10) full-time employees, or where more than 5% of the Company's customers or gross revenues, in a line of business where you had responsibilities during your employment, are derived; or

(b) Any state of the United States, any province of Canada or any foreign country from which the Company or any of its subsidiaries or affiliates derives more than \$50 million in revenue.

4.2.3 "Restricted Period" for the purposes of Section 4.1 means:

(a) The period of your employment by the Company (whether under this Agreement or otherwise), if your employment is terminated because of your death or Disability;

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(b) The period of your employment by the Company (whether under this Agreement or otherwise) and six (6) months thereafter, if your employment is terminated by the Company for Cause or without Cause (and not by the Company following Change of Control);

(c) The period of your employment by the Company (whether under this Agreement or otherwise) and, if this Agreement is still in effect at the Termination Date, the number of months remaining in the Term at the Termination Date or six (6) months, whichever is longer (but in no event more than 6 months), if you terminate your employment voluntarily (and not for Good Reason); or

(d) The period of your employment by the Company under this Agreement, if your employment is terminated by you for Good Reason or by the Company on any basis following Change of Control.

4.2.4 "Restricted Period" for the purposes of Section 5 means the Restricted Period for the purposes of Section 4.1 plus an additional twelve (12) months, except in the case of termination for Good Reason or upon Change of Control, in which case it shall be the same period as stated in Section 4.2.3(d).

4.2.5 Exception. This Section shall not be construed to prohibit

the ownership by you of not more than 2.5% of any class of securities of any corporation which competes with the Company and which has a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

4.3 Savings Clause. You and the Company specifically agree that this

covenant not to compete and its specific limitations constitute a reasonable

covenant under the circumstances and is supported by the consideration stated above, and further agree that if, in the opinion of any court of competent jurisdiction, any of the provisions of this Section 4 are ever determined by a court to exceed the time, geographic scope or other limitations permitted by applicable law in any jurisdiction, then such excessive provisions shall be deemed reduced, in such jurisdiction only, to the maximum time, geographic scope or other limitation permitted in such jurisdiction, and you agree to the enforcement of the remainder of the covenant as so amended.

5. Non-Solicitation. You also covenant and agree that during the Restricted

Period set out in Section 4.2.4, and without regard to the activity or activities in which you are engaging, whether it is within or without the telecommunications industry, you will not, directly or through employees, agents, recruiters, independent contractors or others: (a) offer, promise, provide or guarantee employment, work for compensation, business opportunity or other means of financial gain, or solicit, invite an inquiry on employment or other compensatory relationship, respond to such inquiry with a promise or grant of an employment or other compensatory relationship, or otherwise seek to

influence any person to leave the Company or to undertake activities that would be adverse to the Company's interests, where such person is employed by the Company or is in an independent contractor relationship in which a majority of their time is spent on Company-related activities, or is a supplier of services to the Company who would thereafter become unavailable to provide such services to the Company, or who has been in such an employment or independent contractor relationship within the 12 months prior to your contact(s); or (b) solicit from, convert, attempt to convert, divert business from, or attempt to divert business from any of the Company's customers, customer accounts or locations, whether such activity is intended to benefit you or any other person or entity, and whether or not such activity is successful.

It is not a violation of this paragraph for any entity with which you are associated as an employee or otherwise, or who may act on your behalf, to engage in general newspaper advertising or other general recruiting or solicitation that is not targeted at the Company or any employees or customers of the Company, provided you are not involved in identification of recruiting targets at the Company or in its customer base, or steering the entity toward any employee or group of employees or customer or group of customers.

6. Equitable And Other Relief. You specifically acknowledge that the

restrictions contained in each of Sections 2, 3, 4 and 5 of this Agreement are, in view of the nature of the business of the Company, and your position with it, reasonable and necessary to protect the legitimate interests of the Company, and that any violation of the provisions of those Sections will result in irreparable injury to the Company for which there would be no adequate remedy at law. You also acknowledge that the Company shall be entitled to preliminary and

permanent injunctive relief, without the necessity of proving actual damages, and to an equitable accounting of all earnings, profits and other benefits arising from such violation. These rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. You agree to submit to the jurisdiction of any New York State court located in Monroe County or the United States District Court for the Western District of New York or of the state court or the federal court located in or presiding over the county in which the Company has its corporate headquarters at the applicable time in any action, suit or proceeding brought by the Company to enforce its rights under Sections 2, 3, 4 and/or 5 of this Agreement, and that any separate claim you have shall not constitute a defense to the enforcement of the covenants and agreements in those paragraphs.

7. Company's Obligations upon Termination. The sole obligations of the

Company upon the termination of your employment are as set forth in this Section 7. Subject to the provisions in Section 9, any and all amounts to be paid to you in connection with your termination shall be paid in a lump sum promptly after the Termination Date, but not more than thirty (30) days thereafter.

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7.1 Termination upon Disability or Death. If your employment with the

Company ends by reason of your death or Disability (as defined later in this Agreement), the Company shall pay you all amounts earned or accrued through the Termination Date but not paid as of the Termination Date, including:

7.1.1 Base compensation;

7.1.2 Reimbursement for reasonable and necessary expenses incurred by you on behalf of the Company during the Term;

7.1.3 Pay for earned but unused vacation and floating holidays;

7.1.4 All compensation you previously deferred (if any) to the extent not yet paid; and

7.1.5 An amount equal to your "Pro Rata Bonus". Your Pro Rata Bonus shall be determined by multiplying the "Bonus Amount" (as defined below) by a fraction, the numerator of which is the number of days in the fiscal year through the Termination Date and the denominator of which is 365. The term "Bonus Amount" means for each period for which a bonus is payable to employees under the short term incentive compensation program then in effect and for which you have not yet been paid: (i) a bonus at the level actually achieved by the Company for the fiscal year if you worked for the Company for the full fiscal year; and (ii)(a) a bonus established under the applicable plan using the level actually achieved for such prorated portion of the fiscal year in which the Termination Date occurs as relates to your actual employment, using such measurements as are used generally by the

Company for monitoring employee bonus qualification; or (b) if you leave at a time in which the performance of the Company is not measured generally by the Company for employee bonus purposes, but the Company has met its bonus goals for the most recent period for which bonus measurements were taken and the goals met, then the bonus at standard level for the number of full months of the fiscal year that you worked for the Company.

The amounts described in Sections 7.1.1 through 7.1.4, inclusive, are called elsewhere in this Agreement, collectively, the "Accrued Compensation".

Except as otherwise provided in this Section 7.1, your entitlement to any other compensation or benefits shall be determined in accordance with the Company's employee benefit plans and other applicable programs and practices, including any long term compensation benefits, then in effect.

7.2 Termination Without Cause. If the Company terminates your employment

without Cause (as defined later in this Agreement and not in anticipation of a Change of Control), the Company shall pay you:

7.2.1 All Accrued Compensation;

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7.2.2 A Pro Rata Bonus (as defined in Section 7.1.5 above); and

7.2.3 Severance ("Severance") equal to: (a) two times the sum of (i) the annual base compensation you would have received for the entire fiscal year in which the Termination Date occurs plus (ii) the Bonus Amount plus (iii) \$15,000, being the agreed cash equivalent of the annual value of the perquisites provided to you under the Company's Executive Compensation Program, plus (iv) the Company contributions which would have been made on your behalf to the 401(k) retirement savings plan maintained by the Company (b) reduced by the present value of such amounts identified in subpart (a) as are "parachute payments" within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") in the event of a change of control of the Company, determined in accordance with Section 280G(d)(4) of the Code. The foregoing shall be in lieu of any other amount of severance relating to salary or bonus continuation to be received by you upon termination of your employment under any severance plan, policy or arrangement of the Company.

In addition, the Company shall continue to provide to you and your family at the Company's expense, for 24 months following the Termination Date, the life insurance, medical, dental, vision and hospitalization benefits provided to you and your family immediately prior to the Termination Date, and will pay to you the cash value of certain in-the-money options, and of restricted stock that has vested in the relevant tranche and for which the Company has met its performance criteria .

Except as otherwise provided in this Section 7.2, your entitlement to any other compensation or benefits shall be determined in accordance with the Company's employee benefit plans and other applicable programs and practices then in effect.

7.3 Termination for Cause or Voluntary Termination. If your employment

is terminated for Cause (as defined later in this Agreement and not in anticipation of a Change of Control), or if you voluntarily terminate your employment other than for Good Reason, the Company shall pay you all Accrued Compensation. Except as otherwise provided in this Section 7.3, your entitlement to any other compensation or benefits shall be determined in accordance with the Company's employee benefit plans and other applicable programs and practices then in effect.

7.4 Termination for Good Reason or by Company Following Change of Control.

If you terminate your employment for Good Reason or the Company terminates your employment in anticipation of or following a Change of Control, the Company shall pay you:

7.4.1 All Accrued Compensation;

7.4.2 A Pro Rata Bonus; and

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7.4.3 Severance equal to: (a) two times the sum of (i) the annual base compensation you would have received for the entire fiscal year in which the Termination Date occurs plus (ii) the Bonus Amount plus (iii) \$15,000 (being the agreed cash equivalent of the annual value of the perquisites provided to you under the Company's Executive Compensation Program), plus (iv) the Company contributions which would have been made on your behalf to the 401(k) retirement savings plan maintained by the Company (b) reduced by the present value of such amounts identified in subsection (a) as are "parachute payments" within the meaning of Section 280G(b)(2) of the Code in the event of a change of control of the Company, determined in accordance with Section 280G(d)(4) of the Code. The foregoing severance shall be in lieu of any other amount of severance relating to salary or bonus continuation to be received by you upon termination of your employment under any severance plan, policy or arrangement of the Company.

In addition, the Company shall continue to provide to you and your family at the Company's expense, for 36 months following the Termination Date, the life insurance, medical, dental, vision and hospitalization benefits provided to you and your family immediately prior to the Termination Date, and will pay to you the cash value of certain in-the-money options, and of restricted stock that has vested in the relevant tranche and for which the Company has met its performance criteria.

The Company shall reimburse you for all reasonable legal fees and expenses which you may incur following a Change of Control as a result of the Company's attempts to contest the validity or enforceability of this Agreement or your attempts to obtain or enforce any right or benefit provided to you under this Agreement, provided any actions you have taken are determined to have been undertaken in good faith and upon a reasonable basis.

Except as otherwise provided in this Section 7.4, your entitlement to any other compensation or benefits shall be determined in accordance with the Company's employee benefit plans and other applicable programs and practices, including any long term compensation benefits, then in effect.

8. Gross-Up Payment. Notwithstanding anything else in this Agreement, if it -----

is found that any or all of the payments made to you, including but not limited to payments made by the Company, or under any plan or arrangement maintained by the Company, to you or for your benefit (other than any additional payments required under this Section 8) (the "Payments") or any income you receive in the form of restricted stock of the Company or options of the Company, would be subject to the excise tax imposed by Section 4999 of the Code or you incur any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, collectively the "Excise Tax"), then you are entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that,

after you pay all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, you will retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. The procedures for the calculation and contesting of any claim that such Excise Tax is due are set forth in the Addendum.

9. No Obligation to Mitigate Damages. You are not required to mitigate -----

damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, and except as stated below, the amounts to be paid to you under Section 7 of this Agreement shall not be reduced by any compensation you may earn from other sources. However, if, during any period that you would otherwise be entitled to receive any payments or benefits under this Agreement, you breach your obligations under Section 2, 3, 4 and/or 5 of this Agreement, the Company may immediately terminate any and all payments and the provision of benefits (to the extent permitted by law and the terms of the benefit plans maintained by the Company from time to time) hereunder, and you shall be liable to return to the Company the amount of any severance you may have received, including any gross up payments.

10. Successor to Company. The Company will require any successor or assignee

to all or substantially all of the business and/or assets of the Company, whether by merger, sale of assets or otherwise, by agreement in form and substance reasonably satisfactory to you, to assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform them if such succession or assignment had not taken place. Such agreement of assumption must be express, absolute and unconditional. If the Company fails to obtain such an agreement within three business days prior to the effective date of such succession or assignment, you shall be entitled to terminate your employment under this Agreement for Good Reason.

11. Survival. Notwithstanding the expiration or termination of this

Agreement, except as otherwise specifically provided herein, your obligations under Sections 2, 3, 4 and/or 5 of this Agreement and the obligations of the Company under this Agreement shall survive and remain in full force and effect.

This Agreement shall inure to the benefit of, and be enforceable by, your personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you die while any amounts are still payable to you, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your devisee(s), legatee(s) or other designee(s) or, if there is no such designee(s), to your estate.

12. Definitions. Whenever used in this Agreement, the following terms shall

have the meanings below:

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12.1 "Cause" means:

12.1.1 You have willfully and continually failed to substantially perform your duties (other than due to an incapacity resulting from physical or mental illness or due to any actual or anticipated failure after you have given a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to you by the Chief Executive Officer or the Board which specifically identifies the manner in which it is believed that you have not substantially performed your duties; or

12.1.2 You have willfully engaged in conduct which is demonstrably and materially injurious to the Company (monetarily or otherwise), including but not limited to a breach of fiduciary duty; or

12.1.3 You have willfully engaged in conduct which is illegal or in violation of a material provision of the Company's Code of Ethics; or

12.1.4 You have been convicted of a felony or a crime involving moral turpitude; or

12.1.5 You have violated the provisions of Section 2 and/or Section 3 and/or Section 4 and/or Section 5 of this Agreement

and, in any of the events described in Sections 12.1.1 through 12.1.5 above, the ---

Board adopts a resolution or its minutes reflect a finding that in the good faith opinion of the Board you were culpable for the conduct set forth in any of Sections 12.1.1 through 12.1.5 and specifying the particulars thereof in detail. For the purposes of this Agreement, no act or failure to act on your part shall be considered willful unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interests of the Company. Any such resolution of the Board must receive the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering the issue, and you must receive reasonable notice of the meeting and have an opportunity, with your counsel, to present your case to the Board.

12.2 "Change of Control" means:

12.2.1 The consummation of a consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the shares of the Company's common, voting equity are to be converted into cash, securities or other property. For the purposes of this Agreement, a consolidation or merger with a corporation which was a wholly-owned direct or indirect subsidiary of the Company immediately before the consolidation or merger is not a Change of Control; or

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12.2.2 The sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the Company's assets; or

12.2.3 The approval by the Company's shareowners of any plan or proposal for the liquidation or dissolution of the Company; or

12.2.4 Any person, as that term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company, a direct or indirect wholly-owned subsidiary of the Company or any other company owned, directly or indirectly, by the shareowners of the Company in substantially the same proportions as their ownership of the Company's common, voting equity), is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more of the Company's then outstanding common, voting equity; or

12.2.5 During any period of two consecutive years, individuals who at the beginning of such period constitute the Board, including for this purpose any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in this Section 12.2.5) whose election or nomination for election by the Company's shareowners was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Incumbent Board"), cease for any reason to constitute a majority of the Board.

12.3 "Disability" means:

12.3.1 Your absence from your duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness; or

12.3.2 A physical or mental condition which prevents you from satisfactorily performing your duties with the Company and such incapacity or condition is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to you and/or your legal representative.

12.4 "Good Reason" means:

12.4.1 Without your express written consent, after a Change of Control, a significant reduction in title and authority, or the assignment to you of duties with the Company or with a person, as that term is used in Section 13(d) and 14(d) of the Exchange Act, in control of the Company materially diminished

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from the duties assigned to you immediately prior to a Change of Control;
or

12.4.2 Without your express written consent, after a Change of Control, any reduction by the Company or any person, as that term is used in Section 13(d) and 14(d) of the Exchange Act, in control of the Company in your annual base compensation or annual bonus at Standard (or equivalent) rating from the amounts of such compensation and/or bonus in effect immediately before and during the fiscal year in which the Change of Control occurred (except that this Section 12.4.2 shall not apply to across-the-board salary or bonus reductions similarly affecting all executives of the Company and all executives of any person in control of the Company); or

12.4.3 Without your express written consent, after a Change of Control, the failure by the Company or any person, as that term is used in Section 13(d) and 14(d) of the Exchange Act, in control of the Company to

increase your annual base compensation or annual bonus at Standard (or equivalent) rating at the times and in comparable amounts as they are increased for similarly situated senior executive officers of the Company and of any person, as that term is used in Section 13(d) and 14(d) of the Exchange Act, in control of the Company; or

12.4.4 Without your express written consent, after a Change of Control, the failure by the Company or by any person, as that term is used in Section 13(d) and 14(d) of the Exchange Act, in control of the Company to continue in effect any benefit or incentive plan or arrangement (except any benefit plan or arrangement which expires by its own terms then in effect upon the occurrence of a Change of Control) in which you are participating at the time of the Change of Control, unless a replacement plan or arrangement with at least substantially similar terms is provided to you; or

12.4.5 Without your express written consent, after a Change of Control, the taking of any action by the Company or by any person, as that term is used in Section 13(d) and 14(d) of the Exchange Act, in control of the Company which would adversely affect your participation in or materially reduce your benefits under any benefit plan or arrangement or deprive you of any other material benefit (including any miscellaneous benefit which is not represented and protected by a written plan document or trust) enjoyed by you at the time of a Change of Control; or

12.4.6 You terminate your employment (other than because of your death or Disability) by giving the Company a Notice of Termination with a Termination Date not later than the first anniversary of the Change of Control; or

12.4.7 Any failure by the Company to comply with any of its material obligations under this Agreement, after you have

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given notice of such failure to the Company and the Company has not cured such failure promptly after its receipt of such notice.

13. Notice. All notices and other communications required or permitted under -----

this Agreement shall be in writing and shall be deemed given when mailed by certified mail, return receipt requested, or by nationally recognized overnight courier, receipt requested, when addressed to you at your official business address when employed by the Company and at your home address as reflected in the Company's records from time to time and when addressed to the Company at its corporate headquarters, to the attention of the Board, with a required copy to the Company's general counsel.

14. Amendment and Assignment. This Agreement cannot be changed, modified or -----

terminated except in a writing. You may not assign your duties with the Company to any other person. The Company may assign its obligations under this Agreement to one of its principal subsidiaries for administrative purposes.

15. Severability. If any provision of this Agreement or the application of

this Agreement to anyone or under any circumstances is determined by a court to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provisions or applications of this Agreement which can be effective without the invalid or unenforceable provision or application, and such invalidity or unenforceability shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Remedies Cumulative; No Waiver. No remedy conferred on you or on the

Company by this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to any other remedy given under this Agreement or now or later existing at law or in equity. No delay or omission by you or by the Company in exercising any right, remedy or power under this Agreement or existing at law or inequity shall be construed as a waiver of such right, remedy or power, and any such right, remedy or power may be exercised by you or the Company from time to time and as often as is expedient or necessary.

17. Governing Law. This Agreement shall be governed by and construed in

accordance with the laws of the State of New York, without regard to any applicable conflicts of laws.

18. Counterparts. This Agreement may be signed by you and on behalf of the

Company in one or more counterparts, each of which shall be one original but all of which together will constitute one and the same instrument.

If this Agreement correctly sets forth our agreement, please sign and return to me the enclosed copy of this Agreement. Please keep the other copy for your records.

Sincerely,

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FRONTIER CORPORATION

By: /s/ Joseph P. Clayton

Joseph P. Clayton
Chief Executive Officer

Agreed to this __ date of December, 1998

/s/ Donald F. Detample, Jr.

Donald F. Detampel, Jr.

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ADDENDUM TO LETTER AGREEMENT DATED AS OF DECEMBER 1, 1998

The following provisions shall apply to the calculation and procedures relating to the Gross-Up Payment in accordance with Section 8 of the Agreement.

1. The Company's independent auditors in the fiscal year in which the Change of Control occurs (the "Accounting Firm") shall determine whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be used in making such determination. The Accounting Firm shall provide detailed supporting calculations, together with a written opinion with respect to the accuracy of such calculations, to you and the Company within 15 business days of the receipt of a written request from either you or the Company. If the Accounting Firm is serving (or has served within the three years preceding the Change in Control) as accountant or auditor for the person in control of the Company following the Change of Control or any affiliate thereof, you may appoint another nationally recognized accounting firm to make the determinations required in connection with the Gross-Up Payment and the substitute accounting firm shall then be referred to as the Accounting Firm). The Company shall pay you any Gross-Up Payment, determined in accordance with this Addendum, within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that you will not be liable for any Excise Tax, it shall furnish you with a written opinion that your failure to report the Excise Tax on the applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon you and the Company.

2. If there is uncertainty about how Section 4999 is to be applied when the Accounting Firm makes its initial determination, and as a result the Gross-Up Payment made to you by the Company is determined (after following the procedures set forth in this Addendum) to be less than it should have been made (an "Underpayment"), and you are thereafter required to pay any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment and any such Underpayment shall be promptly paid by the Company to you or for your benefit.

3. You shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the Company to pay you the Gross-Up Payment. Your notice shall be given as soon as practicable but no later than ten business days after you have been informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the expiration of the 30 day period following the date on which you gave such notice to the Company (or any shorter period, if the taxes claimed are due

sooner). If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall: (a) give the Company any information reasonably requested by it relating to such claim, (b) take such action in

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connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (c) cooperate with the Company in good faith in order effectively to contest such claim, and (d) permit the Company to participate in any proceedings relating to such claim.

4. The Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in connection with the claim and may, at its sole option, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute the contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts as the Company shall determine.

5. Any extension by the Company of the statute of limitations relating to payment of taxes for the taxable year for which such contested amount is claimed to be due shall be limited solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable under this Agreement and you shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

6. If the Company directs you to pay such claim and sue for a refund, the Company shall advance the amount of such payment to you, on an interest-free basis, and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance.

7. If you receive a refund of any amount advanced to you by the Company, you will promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If the Company advanced to you any amounts and a determination is made that you will not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and you will not be required to be repay it. The amount of such advance shall offset the amount of the Gross-Up Payment required to be paid.

8. The Company shall pay all fees and expenses of the Accounting Firm. The Company shall bear and pay directly all costs and expenses (including

additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

Frontier letterhead

PERSONAL AND CONFIDENTIAL

May 31, 1996

To: Martin T. McCue

Dear Mick,

I have reviewed the issues you have raised about bridging past service with other employers. I believe that Frontier benefited from your work within the telecommunications industry in the past: (1) with respect to the Minnesota and Iowa properties Frontier now owns and with which you worked during your tenure at Centel Corporation, and (2) with respect to your tenure as general counsel of the United States Telephone Association (USTA). Therefore, I am recommending to the Employees' Benefit Committee that your previous service be bridged, as delineated in the following paragraph, and that you receive credit for service with other employers under the terms of Frontier's benefit plans, including relevant conditions.

I am recommending that if you remain an employee of Frontier or an affiliate on the date indicated, your service will be bridged as follows:

Date	Organization	Time Bridged
January 1, 1997	Centel	8 years
January 1, 1999	USTA	4 years
December 31, 1999	USTA	3 years, 8 months

This bridging credit enables you to derive all benefits associated with these years of service, including retirement benefits, as of the dates stated above.

Very truly yours,

/s/Ronald L. Bittner

Ronald L. Bittner

RLB/cn

FRONTIER CORPORATION
 CONSOLIDATED COMPUTATION OF NET INCOME PER AVERAGE SHARE
 OF COMMON STOCK ON A DILUTED BASIS

<TABLE>
 <CAPTION>

In thousands, except per share data

	Years Ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Income applicable to common stock	\$174,783	\$ 30,782	\$189,005	\$ 21,253	\$178,870
Add: Interest on convertible debentures (1)	554	-	554	-	554
	\$175,337	\$ 30,782	\$189,559	\$ 21,253	\$179,424
Less: Increase in related federal income taxes (1)	194	-	194	-	194
Adjusted income applicable to common stock	\$175,143	\$ 30,782	\$189,365	\$ 21,253	\$179,230
Average common shares outstanding (excluding common stock equivalents)	170,626	168,975	165,234	153,764	148,170
Adjustments for:					
Convertible debentures (1)	503	-	503	-	503
Stock Options	2,812	992	1,771	9,612	12,183
Adjusted common shares assuming conversion of outstanding convertible debentures and stock options at the beginning of each period	173,941	169,967	167,508	163,376	160,856
Net income per average share of common stock on a diluted basis	\$1.01	\$0.18	\$1.13	\$0.13	\$1.11

</TABLE>

(1) Convertible debentures are anti-dilutive in 1997 and 1995.

The information presented in this Management's Discussion of Results of Operations and Analysis of Financial Condition should be read in conjunction with the consolidated financial statements and accompanying notes of Frontier Corporation (the "Company" or "Frontier") for the three years ended December 31, 1998. The matters discussed throughout this report, except for historical financial results contained herein, may be forward-looking in nature or "forward-looking statements." Actual results may differ materially from the forecasts or projections presented. Forward-looking statements are identified by such words as "expects," "anticipates," "believes," "intends," "plans" and variations of such words and similar expressions. The Company believes its primary risk factors include, but are not limited to: changes in the overall economy, the nature and pace of technological change, the number and size of competitors in Frontier's markets, the increasing competitiveness of the business, changes in law and regulatory policy, our ability to respond to technological changes in the telecommunications industry, the mix of products and services offered in the Company's markets and risks associated with acquisitions. Any forward-looking statements in this report should be evaluated in light of these important risk factors. For additional disclosure regarding risk factors refer to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

DESCRIPTION OF THE BUSINESS

Frontier Corporation provides integrated telecommunications services including Internet, IP and data applications, long distance, local telephone and enhanced services to business, carrier, web-centric and targeted residential customers nationwide and in certain international countries. Following is a description of the Company's principal lines of business:

Business Segments

Integrated Services

Through its Integrated Services segment, the Company is one of the nation's largest long distance companies. This segment provides domestic and international voice, data products, video and audio communications, digital distribution services, Internet service and other communications products to primarily small to mid-size business customers, carrier customers, web-centric customers and targeted consumer markets. Results for this segment also include competitive local exchange carrier ("CLEC") services, currently available in 32 states, plus Washington D. C. , providing Frontier with the ability to offer integrated local and long distance telephone service to approximately 71% of the United States.

Local Communications Services

The Company's Local Communications Services operation is one of the largest local exchange service providers in the United States. This segment includes the Company's local telephone operations, consisting of 34 telephone operating subsidiaries in 13 states. Also included in this segment are the revenues and expenses of Frontier Communications of Rochester, Inc. , a competitive telecommunications company formed on January 1, 1995. Frontier Telephone of Rochester, Inc. ("FTR") led the telecommunications industry by being the first to open its local market to competition in 1995 under the Open Market Plan. Consequently, the Local Communications Services segment includes both wholesale and retail local service provided in the Rochester, New York market. After four years of operating in a competitive marketplace, the Rochester local exchange carrier retains a market share of approximately 98% of wholesale, and approximately 96% of retail local service access lines in the Rochester, New York operating territory.

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Corporate Operations and Other

Corporate Operations is comprised of expenses traditionally associated with a holding company, including executive and board of directors' expenses, corporate finance and treasury, investor relations, corporate planning, legal services and business development. The Other category includes Frontier Network Systems ("FNS"). FNS markets and installs telecommunications systems and equipment. This segment has also included wireless operations of Minnesota Southern Cellular Telephone Company ("Minnesota RSA No. 10") and the Company's 69.5% interest in South Alabama Cellular Communications Partnership RSAs No. 4 and No. 6 ("Alabama RSAs No. 4 and No. 6"). The sale of Minnesota RSA No. 10 was finalized April 30, 1998. The Alabama interest was sold in January 1997.

Telecommunications Law

The Telecommunications Act of 1996 was enacted on February 8, 1996. This landmark legislation significantly modified the Communications Act of 1934 and established a framework for increased competition in the Local and Integrated Services' segments of the Company's business. The Company views this legislation as favorable to its operations because Frontier has been able to enter new markets to provide local service as a CLEC, as well as derive other benefits from the elimination of barriers to competition. In addition to its established local telephone and long distance base, Frontier has been authorized to provide competitive local services in 33 states, plus Washington D. C, as of December 31, 1998. The Telecommunications Act incorporated many aspects of the Open Market Plan initiated by the Company in Rochester, New York in 1993 and implemented in 1995. The Company believes its experience in providing integrated services and its experience with the Rochester, New York Open Market Plan provides it with a competitive advantage.

The Telecommunications Act has been substantially implemented by the Federal Communications Commission ("FCC"). In late 1996, the FCC released a First Report and Order (the "First Report and Order") establishing guidelines to promote local competition affecting the Company and all other competitors in local telecommunications markets. On July 18, 1997, the U. S. Circuit Court of Appeals for the Eighth Circuit reversed portions of the First Report and Order that provided for pricing based primarily on forward-looking, rather than historical costs, which would have provided the FCC with substantially more authority over the compliance by local telephone companies with provisions of the Telecommunications Act. On January 22, 1998, the same court issued a mandate compelling adherence to the decision. On January 23, 1998, the U. S. Supreme Court agreed to review this case. The case was argued on October 13, 1998. On January 25, 1999, the Court reversed the Eighth Circuit Court's decision and reinstated the rules.

The Act also requires the FCC to restructure the manner in which universal service support payments are established and distributed. On May 7, 1997, the Commission substantially adopted the recommendation of a Federal-State Joint Board released on November 8, 1996 with respect to universal service. The FCC's order increased the amount of support to be dedicated to universal service programs. The Commission has released numerous subsequent orders that have modified its original decisions. These actions are subject to reconsideration and appeal. On May 16, 1997, the Commission adopted an order that substantially modified the structure by which local exchange carriers are compensated for access to and use of their networks. This order was implemented effective January 1, 1998. In general, this order encouraged the recovery of some costs that had previously been recovered in usage-based charges to be recovered in fixed charges. Both of these orders are subject to the possibility of Commission modification in light of market impacts. The Federal-State Joint Board issued a recommendation on November 23, 1998, outlining options for future high cost recovery and that could result in significant changes in the current relationship between carriers. This recommendation is currently being reviewed by the FCC. Any decision is subject to modification and review.

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On October 9, 1997, the FCC ordered carriers who receive "dial around" calls from payphones (certain calls sent without coins, such as 800 or other calls with special access codes) to compensate payphone owners at the rate of 28.4 cents per completed call. The per-call compensation rate became effective retroactive to October 7, 1997. The FCC subsequently lowered the rate to 24.0 cents. The FCC is still considering how it will address the payphone operator compensation issue for a preceding eleven month period. The Company has pursued challenges to the FCC order. However, the Company has also taken action to assess a surcharge to recover the amount of the compensation ordered and related costs or to allocate responsibility for the surcharge where it believes that is an appropriate course. This is believed to be consistent with the action taken by other long distance providers that handle similar calls through payphones. Some payphone providers have initiated proceedings seeking payphone compensation. They have also asked the FCC to find certain carriers responsible for unpaid surcharges of unaffiliated providers. The Company cannot predict the ultimate outcome of any of these proceedings.

The Company's entry into the Internet distribution business through its Frontier GlobalCenter Inc. subsidiary ("GlobalCenter") has led it to accelerate its development of additional Internet related products including the provision of certain information or communications offerings over the Internet. Some parties have relied on the Telecommunications Act and other provisions of law to minimize regulatory cost and other burdens on some of these services. As these services develop, these issues will be resolved. A decision that causes access charges and universal service costs to be collected and paid on Internet-based communications during the course of their provision could drive up the price and make them less attractive.

Since the enactment of the Telecommunications Act of 1996, a number of fundamental changes in the business have occurred. Many companies in the industry, particularly among the largest companies, have announced or completed corporate consolidations or other acquisitions, partnerships or organizational transactions. As a result, a number of these competitors may be substantially larger in size and may possess financial resources substantially greater than Frontier's. This trend toward consolidation is expected to continue. There is ongoing regulatory activity at both the federal and state levels to implement the Telecommunications Act, and to put in place mechanisms to address new business relationships. If some of the more recently announced mergers are permitted to go forward, these firms will have greater ability to impact the provision of access and other services to the Company and could affect competition in one or more of the Company's markets.

As new technological and business opportunities emerge, the pace of innovation and business activity will likely accelerate. New business relationships are developing and this also can be expected to continue. These relationships are partially the result of provisions in the law that require new forms of pricing agreements between facilities-based carriers and resellers, new interconnection agreements, and arrangements that replace long-standing tariff filing mechanisms. Many interconnection and resale agreements have been entered into between incumbent local exchange carriers and other firms. However, in the regions served by the Bell Operating Companies, there continue to be large numbers of customers who cannot obtain basic local services from competitors of the incumbent Bell Operating Company. The new law promotes broader competition among incumbent companies in traditional telecommunications lines of business and across such lines of business. While such competition is growing, the Company believes that the local telephone market has not yet achieved the level of competition that was anticipated at the time of the enactment of the Telecommunications Act. At some point, there will be sufficient competition and other actions taken within individual states such that one or more of the Bell Operating Companies will be able to justify entry into the interLATA long distance business within that state. Such an event is likely to have direct impacts on both the local telephone market and the long distance market in that state, and indirect impacts elsewhere.

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Frontier anticipated that public policy would continue to evolve in favor of greater competition. As a result, the Company has been positioning itself to confront a marketplace with numerous new competitors in each of its targeted business segments. This includes the development of sales, marketing, new products, provisioning, customer service, billing and information technology capabilities that are necessary to compete aggressively and successfully.

Part of this activity has involved an analysis of the merits of owning additional amounts of long distance facilities. Ownership of facilities can provide a number of benefits, including the advantages of lower unit costs, new strategic pricing opportunities and the ability to offer new or unique services. Completion of the Company's nationwide Optronics network in 1999 will provide the Company with the infrastructure necessary to meet the increasing demands for bandwidth capacity and connectivity from both a wholesale and retail basis. The Optronics network will also result in reduced costs and unparalleled reliability. Frontier is installing Nortel DMS-500 switching systems in strategic locations across the country that will connect to the Optronics network. These switches will provide Frontier the ability to offer combined local and long distance telecommunications services to its customers through a single, cost-effective switching platform and will enable Frontier to accelerate offerings of its CLEC services. In the fourth quarter of 1997, Frontier introduced a nationwide frame relay product. This product complements the Company's voice services business with a portfolio of additional data services products. In addition, the acquisition of GlobalCenter, a provider of Internet, data and digital distribution services, completed in February 1998, further enhances Frontier's data product capability. The combined technology of the Optronics network, DMS-500 switches, frame relay and enhanced data service comprises a substantial part of the Company's strategic infrastructure that has made Frontier a nationwide, facilities-based provider of local, long distance and data services.

The Company's customer base has been segmented to provide better focus for its sales efforts. Frontier targets four major customer segments: business customers, where Frontier offers customized products for vertical industry segments; wholesale carrier customers, which includes long distance resellers as well as Internet Service Providers ("ISPs"), CLECs and international telecommunications companies; selected data and Internet segments; and targeted consumer markets. Marketing efforts have been centralized. Frontier anticipates that brand awareness and product development will be critical to successful marketing in the future telecommunications marketplace. The Company committed resources in 1998 to diversify and improve its product lines and increase brand awareness, which is expected to continue into 1999.

Strategic Developments

In the fourth quarter of 1997, the Company announced a restructuring plan designed to focus the Company on its core business. The restructuring plan included exiting certain non-strategic businesses; phasing out low margin, price-sensitive long distance consumer products; and targeting actions to reduce costs. In connection with these actions, a post-tax charge of \$54.7 million was recorded in the fourth quarter of 1997, primarily associated with a workforce reduction, program cancellations, the exiting of certain product lines and miscellaneous asset and lease impairments. During 1997, the Company reduced its workforce by approximately 700 positions or 8%. These cost cutting measures were partially offset in 1998 by investments in sales and customer service, an acceleration of competitive local service expansion and increased product development costs. Frontier continues to redeploy its resources to respond quickly to opportunities to provide superior product offerings and customer service in its core business.

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The Company's strategy has been defined and actions have been taken to move toward the goal of becoming a market-driven business. During the fourth quarter of 1997, the Company began to divest certain nonstrategic assets, which has allowed for the redirection of resources into more strategic assets and operations. These actions included the sale of a portion of the Company's retail prepaid calling card business to SmarTalk Teleservices Inc. in December 1997 and the sale of the Minnesota and Alabama facilities-based cellular businesses in 1998 and 1997 as well as the sale of certain other nonstrategic assets during 1998. The Company continues to evaluate the strategic value of other assets and additional sales are expected from time to time.

Construction of the nationwide Optronics network, which commenced in the fourth quarter of 1996, is near completion. The Company's service capacity and network reliability is increasing significantly as the Optronics network is put into service. The Company made a commitment to extend this network in 1998, and that extension is expected to be completed in late 1999. The combined technology of the Optronics network and the DMS-500 switches will enable the Company to expand its ability to provide integrated local and long distance services nationwide. In 1998, the Company added ATM and IP capabilities to the Optronics network which will provide a greater speed and service for data products. In the fourth quarter of 1997, the Company also introduced a nationwide frame relay product. This product will complement the Company's voice services business with a portfolio of additional data services products. This technology will make Frontier a nationwide facilities based provider of integrated local, long distance and data services.

Growth

Consolidated Results of Operations

Consolidated revenues in 1998 were \$2.6 billion, a \$218.7 million or 9.2%, increase from 1997. Revenues in 1997 were \$2.4 billion, a \$213.7 million or 8.3% decrease from 1996. The most significant growth in 1998 continues to be generated by the Integrated Services Segment's Carrier Services business. Carrier Services' revenues grew \$220.7 million or 52.5% over 1997. Carrier Services' revenue normalized for the effect of a major carrier customer's one-plus traffic grew \$23.0 million or 6.2% over 1996. The growth in Carrier Services reflects a growing and diverse base of telecommunications customers, such as Level 3 Communications. The Company's agreement with Level 3 Communications provides them with additional bandwidth for IP-based applications and is expected to generate \$195.0 million in incremental revenue for the Company over the five year term of the agreement. The decrease in 1997 revenue is primarily attributed to the migration of the Company's major carrier customer's one-plus traffic from the Frontier network, a process that was essentially completed by the end of 1996.

Normalized for other charges, total costs and expenses were \$2.3 billion in 1998, \$2.1 billion in 1997, and \$2.2 billion in 1996. This resulted in an operating income before other charges increase of 20.2% in 1998, as compared with a decrease of 38.2% in 1997. Operating margins, before other charges, were 12.5%, 11.4%, and 16.8% during 1998, 1997 and 1996, respectively.

Operating results in 1998 continue to be positively impacted by revenue growth in several areas including Carrier, Data and CLEC services which are all included in the Integrated Services segment. The downturn in operating income and operating margins for 1997 was attributable to the migration of the Company's largest long distance carrier customer discussed above as well as a higher level of primarily network expenses in the Integrated Services segment.

Expenses in 1998 were driven primarily by an increase in service costs in the Local segment as well as a higher cost of access in the Integrated Services

segment due to growth in Carrier Services, a historically lower margin product. These increases are offset by improvements in selling, general and administrative expenses as a percent of revenue, in part resulting from the restructuring plans announced in the fourth quarter of 1997, which entailed exiting of the Company's prepaid business, the phasedown of the Integrated Services residential consumer base, a refocusing of the Company's core product offerings, and centralization of marketing efforts.

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Diluted earnings per share were \$1.01, \$0.18, and \$1.13 for the years ended 1998, 1997 and 1996, respectively. Excluding the impact of nonrecurring other charges discussed below, normalized diluted net income applicable to common stock amounted to \$176.8 million, \$137.0 million, and \$238.9 million in 1998, 1997 and 1996, respectively. Diluted earnings per share, normalized for nonrecurring adjustments, were \$1.02, \$0.81, and \$1.43 for the three years, representing an increase of 25.9% for 1998 and a decrease of 43.4% for 1997.

Nonrecurring Adjustments

Consolidated results for the years 1998 through 1996 were impacted by a number of nonrecurring adjustments. Net income for these years, normalized for nonrecurring adjustments, is summarized in the following chart and succeeding narrative.

<TABLE>

<CAPTION>

(In thousands of dollars, except per share data)	1998	1997	1996
<S>	<C>	<C>	<C>
Diluted income applicable to common stock	\$175,143	\$ 30,782	\$189,365
Adjustments, net of taxes:			
Other charges	5,797	117,464	42,670
Gain on sale of assets	(5,922)	(11,243)	(3,029)
Adoption of new accounting standards	1,755	--	8,018
Work stoppage preparation costs	--	--	1,861
Total adjustments	\$ 1,630	\$106,221	\$ 49,520
Normalized income applicable to common stock	\$176,773	\$137,003	\$238,885
Diluted earnings per share	\$ 1.01	\$ 0.18	\$ 1.13
Total adjustments	0.01	0.63	0.30
Normalized diluted earnings per share	\$ 1.02	\$ 0.81	\$ 1.43

</TABLE>

1. Other Charges

During 1998, the Company recorded an after-tax charge of \$5.8 million (net of taxes of \$0.7 million) associated with the acquisition of GlobalCenter. These charges included investment banker, legal fees and other direct costs and were subsequently liquidated in the second quarter of 1998.

In March 1997, the Company recorded a \$62.8 million charge, net of a tax benefit of \$33.8 million, primarily related to the write-off of certain network costs no longer required for the Company's long distance traffic volumes. As a result of the decline in long distance traffic, an evaluation of the existing network was performed and facilities deemed no longer necessary to support the Company's revenue and traffic levels were identified.

In the fourth quarter of 1997, Frontier recorded a \$54.7 million charge, net of a tax benefit of \$32.1 million. This charge was primarily associated with a restructuring and refocusing of the business which included a workforce reduction, program cancellations, the exiting of certain product lines and miscellaneous asset and lease impairments.

Operating results for 1996 included a \$42.7 million charge, net of a tax benefit of \$25.0 million, resulting from the curtailment of certain Company pension plans, a one-time charge associated with the Company's conference calling product line and the write-off of in-process product development costs. The pension curtailment comprises \$17.3 million of the total post-tax charge and is a result of the Company's efforts to standardize pension benefits. The one-time charge associated with the Company's conference calling product line (\$13.1 million, post-tax) primarily reflected an adjustment to write-off nonrecoverable product development costs relating to proprietary software. The write-off of in-process product development costs (\$12.3 million, post-tax) related to the 1996 GlobalCenter merger with GCIS, an Internet management services company.

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2. Gain on Sale of Assets

During November 1998, the Company sold certain non-strategic investments. The sales resulted in an after tax gain of \$3.0 million.

In April 1998, the Company completed the sale of Minnesota RSA No. 10, a wholly owned cellular partnership, and certain other properties. The sale of these properties resulted in a combined after-tax gain of \$2.9 million, or \$.02 per share. The income taxes in these transactions of \$12.3 million are primarily driven by a low tax basis in the Minnesota RSA No. 10 investment which was acquired in a tax free stock transaction and resulted in nondeductible goodwill.

Gain on sale of assets in 1997 reflects the sale of the Company's 69.5% equity interest in the South Alabama Cellular Communications Partnership which resulted in a post-tax gain of \$11.2 million (\$18.8 million pre-tax).

In 1996, Frontier sold its minority investment in a Canadian long distance company (\$5.0 million pre-tax gain, \$3.0 million post-tax).

3. Adoption of New Accounting Standards

The Company adopted Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." ("SOP 98-5") during 1998. The cumulative effect of adopting SOP 98-5 was an after-tax charge of \$1.8 million, net of applicable income taxes of \$0.8 million or \$.01 per share. The charge is primarily attributed to unamortized start-up costs related to product development costs associated with new business ventures.

Additionally in 1996, the Company recorded an \$8.0 million charge, net of a tax benefit of \$4.3 million, for the adoption of Financial Accounting Standards Board ("FAS") 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The assets held for disposal consisted principally of telephone switching equipment in the Local Communications segment as a result of a central office switch consolidation project in Frontier's New York markets.

4. Work Stoppage Preparation Costs

During the first quarter of 1996, operating costs increased \$1.9 million, net of applicable income taxes of \$0.9 million, at the Company's largest telephone subsidiary due to high labor and related expenses in connection with a union contract negotiation that was substantively settled during 1997.

[Graph of Revenues]

Results of Segment Operations

Integrated Services

Revenues were \$1.9 billion, \$1.7 billion, and \$1.9 billion in 1998, 1997 and 1996, respectively, representing an 11.8% increase in 1998 and a 12.3% decrease in 1997. The increase in revenue from 1997 to 1998 is attributed to a growing base of carrier customers, CLEC services and Data revenue. Revenue increases are being offset from exiting the prepaid business and the de-emphasis of selected consumer programs. The decrease in revenue from 1996 to 1997 is attributable primarily to the migration of the one-plus long distance traffic of the Company's major carrier customer from the Frontier network as discussed below. Normalized for the effect of this major carrier customer's one-plus traffic, Integrated Services' revenue grew approximately 5% in 1997.

Carrier Services' revenue grew 52.5% in 1998 and 6.2% in 1997, normalized for the effect of the major carrier customer's one-plus traffic in 1997. These increases are driven by both an increase in the customer base as well as higher levels of switched and dedicated traffic. As the Optronics network is completed, the Company anticipates further fiber capacity sales, swaps and exchanges such as the Level 3 Communications contract which includes a minimum commitment of \$195.0 million over a five year contract term.

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In 1996, the Company renegotiated its contract with its then largest carrier customer as the customer was planning to install its own long distance switching capacity and diversify its traffic distribution to one or more additional carriers. Revenue from this carrier comprised approximately 4% of Frontier's Integrated Services revenue in 1998 as contrasted with 6% and 21% in 1997 and 1996, respectively. The loss of this customer's one-plus traffic contributed to lower operating income in 1997 due to lower overall traffic levels resulting in a higher level of fixed network costs than required by the remaining volume of business carried by the Company.

Sustain-

CLEC revenue growth was 107.2% for the year ended 1998. Frontier provides local service as a CLEC on both a resale and facility basis with a focus on providing integrated local, long distance and data services. At year end 1998, the Company was providing local services as a CLEC together with a complete range of long distance products in 32 states, plus Washington, D. C. Most of that coverage was provided via resale of services of incumbent local exchange carriers. Within that footprint, CLEC service also was provided initially from Frontier's own switches in New York, Boston and Minneapolis. Since then, Frontier expanded its coverage to approximately 71% of the United States and turned up facilities-based service in a total of thirteen metropolitan areas at the end of 1998. Facilities-based service is being offered in cities that are on the Company's Optronics network, which will provide Frontier with the opportunity to expand its offerings of combined local and long distance services into additional markets, control access costs, and leverage the Optronics network. As of the end of 1998, Frontier is serving in excess of 208,000 CLEC ANIs, or access lines as compared to 100,000 CLEC ANIs at the end of 1997. Frontier's objective is to have the capability to offer local services in 33 states, plus Washington D. C., covering 74% of the United States by the end of 1999.

Data Services' revenue was \$97.6 million, \$22.4 million and \$12.9 million in 1998, 1997 and 1996, respectively, which led to increases of 335.7% in 1998 and 73.6% in 1997. The continued integration and growth of GlobalCenter largely led to the year over year increase. In general, growth in Data Services' revenue was driven by dedicated Internet, national frame relay and web hosting. GlobalCenter's major digital distribution service customers include Yahoo!, Motley Fool, and USA Today among others.

Cost of access as a percentage of revenues was 64.0% in 1998, 64.1% in 1997, and 63.7% in 1996. The 1998 percentage has remained constant as compared to 1997 due to increased Carrier Services' traffic, which has lower margins, offset by network migration, favorable 1998 access rate reductions and a shift in the international traffic mix. Construction delays of the Optronics network impacted the level of savings expected during 1998. The higher cost of access percentages reported for 1997 compared to 1996 was driven by the growth and mix of international traffic and a higher proportion of fixed network costs than would have been required for the volume of minutes actually carried by the Company's network during these periods. Cost of access in 1997 was also impacted by increased costs related to the public payphone compensation order. In September 1996, an FCC ruling established a "per call compensation plan" that provides payphone service providers with compensation for calls completed using their payphones. The FCC substantially increased these charges in October 1997. In 1997, the Company began assessing a surcharge to its payphone users in order to recover the amount of compensation and related costs ordered by the FCC.

Construction of the Company's Optronics network as originally announced in 1996, was on schedule through the first half of 1998. However, delays in the completion of a small number of segments have moved the expected completion date of the network into the first half of 1999. Cost benefits are expected to be realized as the SONET rings are closed, traffic is migrated, and redundant leased costs are eliminated. The Company has further enhanced its Optronics network by expanding its geographic coverage. Through swap agreements with Enron Communications and WTCI, Frontier will add approximately 4,000 additional route miles in the western half of the United States. These agreements will also provide the Company with additional redundant SONET rings, further enhancing the

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reliability and performance of the network. In addition, in July 1998, Frontier entered into an agreement with Williams Communications to construct an extension of Frontier's Optronics network into the southeast United States. In aggregate, the Company's Optronics network will have 20,000 route miles. As of December 31, 1998, approximately 74% of the original 13,000 route mile Optronics network is carrying traffic. Construction of the Optronics network and the continuing network integration efforts are expected to reduce future network costs as well as provide new revenue opportunities for the Company.

Selling, general and administrative costs ("SG&A"), as a percentage of revenues, was 25.3% in 1998, 27.9% in 1997 and 19.8% in 1996. The 1998 decrease, as a percentage of revenues, is largely due to increased Carrier Services' revenue which carries lower SG&A costs as well as cost controls and a change in the revenue mix away from consumer businesses. The 1997 increase as a percentage of revenues is principally due to the decrease in revenues without corresponding proportional cost decreases. During the last half of 1996 and continuing through 1998, the Company intensified its investment in the sales and marketing areas with the intent of providing the Company with the resources necessary to expand into new markets, attract and retain new customers and provide superior customer service.

Depreciation and amortization increased by \$11.3 million and \$14.5 million in 1998 and 1997, respectively due primarily to the impact of the Optronics network.

Operating income for Integrated Services, excluding nonrecurring charges, increased 153.0% in 1998 and decreased 84.6% in 1997. Operating margin was 4.8% in 1998, 2.1% in 1997, and 12.1% in 1996. The Company anticipates improved operating margins during 1999 as higher revenue levels are achieved, higher cost routes are removed from the network, the Optronics network is completed and additional operating efficiencies are introduced. The growth in revenue is expected to be driven by expanded sales in the Company's targeted markets, and the introduction of new products and services, and the maintenance of superior customer service.

Local Communications Services

In addition to consistent profitability and strong cash flows, the local communications companies have been successful in marketing and selling integrated services to their customers. Local Communications' revenues were \$701.9 million in 1998, \$667.1 million in 1997, and \$643.0 million in 1996, representing increases of 5.2% and 3.7%, respectively over the prior years. Revenue growth in each year was driven by the introduction of new products and features such as voice mail, caller ID and call waiting, and a higher demand for services such as second lines. Revenue growth in 1998 and 1997 was also influenced by an increased demand for Internet services and dedicated traffic growth. The growth in revenue is partially offset by the elimination of the surcharge on wholesale, flat rate local measured service, as ordered by the New York State Public Service Commission ("NYSPSC") in 1996, an increase in the discount to wholesale providers in the Rochester, NY market from 5% to 17%, also ordered by the NYSPSC, and a \$1.5 million annual rate reduction as stipulated by the Open Market Plan for the Company's subsidiary, FTR. Total access lines increased 3.5% and 2.3% and minutes of use increased 3.4% and 5.3% in 1998 and 1997, respectively.

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[Graph of Local Operations]

Costs and expenses for the local communications segment, excluding nonrecurring charges, were \$334.6 million in 1998, up slightly over 1997, but down as a percent of revenue. The increase in costs and expenses in 1998 is attributable to service quality improvement efforts during the year in response to continued scrutiny by the NYSPSC and the assessment of a \$2.0 million service penalty at FTR. Service penalty assessments in 1999 could range up to \$7.0 million if certain service metrics are not obtained. FTR met or exceeded service requirements in the fourth quarter of 1998. Costs are also up due to increased depreciation expense, higher operating costs for repair and maintenance and an increase in customer service costs due to access line growth. A portion of the repair and maintenance increase was caused by severe flooding and ice storms during the first half of 1998 as well as a severe windstorm during the third quarter at certain local properties. Costs and expenses for 1997 compared to 1996 were relatively consistent. During 1996, the Rochester telephone operation experienced increased costs and expenses related to incremental labor expenses resulting from work stoppage preparation costs. These expenses, which were incurred in connection with contract negotiations with the Communications Workers of America ("CWA" or "Union"), were necessary to ensure continued high standards of customer service levels in the event of a work stoppage or slowdown. The contract negotiations resulted in an agreement which expired at the end of 1998. A new three year agreement became effective on January 3, 1999. The result of these agreements provide several operational improvements and a more consistent alignment of benefits. Operating margins, excluding nonrecurring items, were 36.2% in 1998, 36.3% in 1997, 33.5% in 1996. This positive result is reflective of the continuing effort in maintaining operating efficiencies and consistent revenue growth.

The Rochester, New York local communications subsidiary completed its fourth year of operations under the Open Market Plan in December 1998. The Open Market Plan promotes telecommunications competition in the Rochester, New York marketplace by providing for (1) interconnection of competing local networks including reciprocal compensation for terminating traffic, (2) equal access to network databases, (3) access to local telephone numbers, (4) service provider telephone number portability, and (5) certain wholesale discounts to resellers of local services. The Open Market Plan has undergone some modifications in light of the Telecommunications Act and other regulatory action of the NYSPSC. The Company believes that it has successfully maintained its competitiveness in the Rochester marketplace, as the Company's subsidiary still provides approximately 98% of the services in the wholesale market and approximately 96% of retail local services in the market.

Corporate Operations and Other

This segment includes the operations of FNS and expenses traditionally associated with a holding company, including executive and board of directors' expenses, corporate finance and treasury, investor relations, corporate planning, legal services and business development. Formerly, the wireless operations from Minnesota RSA No. 10 and the Company's 69.5% interest in Alabama RSAs No. 4 and No. 6 were included in this segment. The sale of the Company's

interest in Alabama RSAs No. 4 and No. 6 was finalized January 31, 1997 and on April 30, 1998, the Company sold Minnesota RSA No. 10. The sale of wireless properties is a result of the Company's strategic decision to divest non-core assets. Wireless products, as a part of Frontier's integrated services, are offered to Frontier customers on a resale basis.

In February 1997, the Company completed its purchase of R. G. Data Incorporated (renamed FNS). FNS was a privately held upstate New York based computer and data networking equipment and services company. A total of 110,526 shares of Frontier common stock held in treasury were reissued in exchange for all of the shares of FNS. The treasury shares were acquired through open market purchases.

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Other Income Statement Items

Interest Expense

Interest expense was \$55.3 million in 1998, an increase of \$7.1 million or 14.7% over 1997. Interest expense was \$48.2 million in 1997, an increase of \$4.9 million or 11.4% over 1996. The overall increase in interest expense in both periods is the result of higher levels of debt outstanding primarily attributable to the Company's capital program. The amount of interest expense capitalized increased \$18.2 million and \$7.2 million in 1998 and 1997, respectively, also as a result of increased capital spending.

Equity Earnings from Unconsolidated Wireless Interests

The Company's minority interests in wireless operations and its 50% interest in the Frontier Cellular joint venture with Bell Atlantic are accounted for using the equity method. This method of accounting results in the Company's proportionate share of earnings being reflected in a single line item below operating income.

Equity earnings from the Company's interests in wireless partnerships were \$16.7 million in 1998, \$12.0 million in 1997, and \$9.0 million in 1996. The increase in equity earnings during 1998 and 1997 is attributable to increased customers, primarily at Frontier Cellular, and usage, as well as improved operating efficiencies as compared to 1996.

Income Taxes

The effective tax rate was 42.2% in 1998 versus 58.1% in 1997 and 41.8% in 1996. The increase in the effective tax rate for 1997 is attributable to the nonrecurring charges recorded by the Company, combined with the effect of recording additional valuation allowance for net operating loss deferred tax assets at GlobalCenter prior to the pooling of interests transaction. Use of the preacquisition net operating losses are limited by tax laws and the realization of these losses is uncertain at this time.

[Graph of EBITDA]

Financial Condition

Review of Cash Flow Activity

Cash provided from operations in 1998 amounted to \$434.2 million as compared to \$255.8 million in 1997 and \$397.2 million in 1996. The increase in cash flow from operations is largely attributable to the increased operating income in the Integrated Services' segment during 1998. The accounts receivable allowance increase in 1998 is primarily due to revenue volume increases and a higher mix of carrier customers with larger account balances.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a common measurement of a company's ability to generate operating cash flow. EBITDA should be used as a supplement to, not in place of, cash from operating activities. The Company's EBITDA was \$549.7 million, \$482.1 million, and \$626.9 million before other charges in 1998, 1997 and 1996, respectively.

Cash used for investing activities was \$597.6 million, \$292.6 million, and \$333.3 million in 1998, 1997 and 1996, respectively. Capital expenditures continue to be the largest recurring use of the Company's investing funds. Capital spending amounted to \$646.9 million, \$365.1 million, and \$311.9 million in 1998, 1997 and 1996, respectively. The Company's total capital investment for 1998 was \$696.4 million, including the \$136.9 million accrued for the Company's new Optronics network and other capital programs. The \$136.9 million obligation at December 31, 1998 is a non-cash transaction that is treated as debt in the Company's capital structure as the Company intends to finance this obligation through available credit facilities and unused commitments extending beyond one year. The increase in the 1998 capital program was due to long distance switch enhancements, additional investments intended to improve service at FTR, continued product enhancements and construction costs for the Optronics network. Cash utilized in 1998 for investing activities was partially funded by the

Cash flows from financing activities amounted to inflows of \$222.3 million and \$25.7 million in 1998 and 1997, respectively, compared with an outflow of \$58.0 million in 1996. The net inflow of cash is the result of increased borrowings during 1998 and 1997 driven by the Company's capital program. The Company's largest recurring financing activities are the payment of common and preferred dividends which totaled \$151.8 million, \$143.6 million, and \$138.7 million in 1998, 1997 and 1996, respectively.

[Graph of Credit Ratings]

Liquidity and Capital Resources

The Company has a number of financing vehicles in place to ensure adequate liquidity in meeting its anticipated cash needs. Frontier has a commercial paper program of \$350 million which is fully backed by committed revolving credit agreements. In November 1998, the Company established combined revolving credit agreements of \$475 million which will serve as backup to the Company's commercial paper program. These facilities replaced the Company's existing \$350 million credit facility which was due to expire in August 2000. At December 31, 1998, total borrowings and amounts available under these lines of credit were \$197.7 million and \$277.3 million, respectively. In September 1998, the Company completed a \$200.0 million public offering of 6.00% Dealer remarketable securities ("Drs./SM/") which mature in 2013. In December 1997, the Company entered into an interest rate hedge agreement that effectively converts \$200.0 million of the Company's fixed-rate debt into a floating rate, based on an index rate plus 2.88%. The agreement expires in May 2004 and caps the floating rate the Company pays at 7.25% through November 1999 and 9.00% through May 2004. In May 1997, the Company completed a \$300.0 million public offering of 7.25% Notes which mature in 2004. In December 1997, the Company issued \$100.0 million, 6.25% Pass-Through Asset Trust Securities ("PATS") due in 1999. The PATS securities were sold pursuant to Rule 144A under the Securities Act, and not under the shelf registration. Proceeds from these offerings were used to finance a portion of the nationwide Optronics network and to pay down commercial paper borrowings.

At December 31, 1998, aggregate debt maturities amounted to \$9.5 million for 1999, \$16.9 million for 2000 and \$273.4 million for 2001. The debt to total capital ratio at December 31, 1998 increased to 57.2%, as compared to 49.2% in the prior year and 39.1% in 1996. Pre-tax interest coverage, which measures the Company's ability to cover its financing costs, was 4.7 times in 1998 and 1997 versus 8.7 times in 1996 (excluding nonrecurring charges for all years).

In May 1997, Duff and Phelps revised its rating on the Company's long-term debt from "A" to "A-", reflecting concern about the recent performance of the Company's integrated services operations, increased capital spending levels and rising uncertainty in the integrated services business. Standard & Poor's affirmed its "A" rating of the Company, although it revised its rating "outlook" from stable to negative. Rating outlooks serve as an assessment of long-term trends or risks, normally for periods covering one to three years, that have less certain credit implications, and are not necessarily a precursor to future rating changes. Moody's and Fitch affirmed their ratings of "A3" and "A", respectively. The Company does not anticipate that the revised rating or rating "outlook" will have a material impact on the future cost of borrowing.

Total gross expenditures for property, plant and equipment in 1999 are anticipated to be consistent with 1998. The Company anticipates financing its capital program through a combination of internally generated cash from operations and external borrowings.

Under the Company's Open Market Plan, dividend payments to the parent company are temporarily prohibited until FTR receives clearance from the NYSFSC that service requirements are being met. Cash restricted for dividend payments by FTR as of December 31, 1998 was approximately \$53.0 million.

In December 1998, the Company's Board of Directors declared a quarterly dividend on common stock of \$0.2225 per share, payable February 1, 1999, to shareholders of record on January 15, 1999.

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On January 25, 1999, the Company's Board of Directors approved a dividend restructuring plan which reduces the annual common stock dividend from \$0.89 to \$0.20 per share annually. This change in dividend policy will be effective with the payment of the common stock cash dividend currently expected to be declared in March, 1999 and paid on May 1, 1999 to shareholders of record as of April 15, 1999. The reduction has no effect on the common stock dividend payable February 1, 1999 to shareholders of record on January 15, 1999, nor on any outstanding issues of the Company's preferred stock. This dividend restructuring was approved in order to place the Company more in line with growth-oriented

integrated telecommunication services companies and to allow the Company to invest more heavily in its growth businesses and provide for greater strategic alternatives.

Y2K

Year 2000 Issues

The Company's Year 2000 ("Year 2K") project is intended to address potential processing errors in computer programs that use two digits (rather than four) to define the applicable year. The Company's assessment of Year 2K issues is essentially complete. Disclosure is warranted because the issues, if unresolved by the Company and by the many unaffiliated carriers and other firms with whom the Company interconnects its networks or does business, could have impacts that are material. The Company addresses Year 2K issues in four areas:

State of Readiness. Frontier has developed plans to assess and remediate key internally-developed computer systems so they will be Year 2K compliant in advance of December 31, 1999 and has implemented those plans to a significant degree. The plans encompass all operating properties as well as Frontier's corporate headquarters. These include both information technology ("IT") and non-IT compliance. The plans cover the review, and either modification, or replacement, where necessary, of portions of the Company's computer applications, telecommunications networks, telecommunications equipment and building facility equipment that directly connect the Company's business with customers, suppliers and service providers. Implementation of the plan began in 1996 and the Company believes that substantially all of its internally-developed IT systems are now compliant. Final assessments and remediation are expected to be substantially complete by midyear 1999, leaving the remainder of 1999 for additional system testing, carrier interoperability testing and other remediation. These plans involve capital expenditures for new software and hardware, as well as costs to modify existing software. Initially, work with IT systems was given priority over work with non-IT systems, but the Company is comprehensively reviewing its non-IT Year 2K readiness as well, including communications with third parties who supply or maintain non-IT systems or significant non-IT subsystems.

Costs. To date, the Company has committed approximately \$7.5 million to Year 2K issues, and anticipates that it will spend an additional \$3.0 to \$4.6 million during 1999. This includes costs directly related to Year 2K assessment and remediation and the replacement of non-compliant systems, including acceleration of replacement of non-compliant systems due to Year 2K issues. A substantial portion of the total amount has been used for third party assistance in assessment and remediation. The source of these funds is cash generated from operations. The Year 2K projects have not caused the Company to forego or defer, to any material degree, other critical IT projects. To date, the costs of addressing potential Year 2K problems are not considered material to the Company's financial condition, results of operations or cash flows and have been consistent with planned expenditures, and future costs are not expected to be material in such respects.

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Risks. The Company is engaged primarily in telecommunications lines of business, and therefore connects directly and indirectly with thousands of other carriers, inside and outside the United States. These connections are made through switching offices of the Company and the other carriers. The switching offices were manufactured by and often maintained by third parties. While many other carriers have announced plans to engage independently in Year 2K assessment and remediation for their networks, there is a risk that some carriers (particularly smaller carriers and carriers outside the United States) will not address or resolve Year 2K issues, and that telecommunications will therefore be affected. If this were to occur, it is likely that the Company would be affected only to the same degree as the other carriers in the telecommunications industry. A Year 2K failure in the network of smaller carriers would not be likely to have a significant impact on telecommunications generally, or on the Company. However, addressing these risks is outside the Company's control. In addition, the Company is unable at this time to assess the degree to which the manufacturers of switches and similar equipment have completed their assessment and remediation of such equipment and its associated software with respect to any other carriers. The majority of the Company's switches are manufactured and supported by entities with a broad base of similarly situated customers, and who have a vested interest in assuring that their products will not be affected by Year 2K events, and if affected, will be remedied promptly. The Company has initiated an inquiry with its primary vendors and continues to engage in discussions related to Year 2K compliance with many of them. Another risk to the Company arises with respect to the timely completion of Year 2K remediation for the processing that occurs in the Company's IT and non-IT systems. If the Company or its vendors are unable to resolve such processing issues in a timely manner, it could pose independent risks to the Company's business that could be material. Accordingly, the Company has devoted resources it believes to be adequate to resolve all significant identified Year 2K issues in a timely manner, and has undertaken plans to make

information available to customers and others related to its Year 2K activities. Consistent with the practice of other carriers, the Company generally has declined to provide Year 2K compliance warranties or other Year 2K-related contractual promises to customers or other persons. In addition, the Company is engaged in communications with third party equipment and software vendors and suppliers of services to verify their Year 2K readiness, and plans to engage in internetwork testing with other carriers during 1999. Since the Company's own Optronics network, including the recently announced southeast expansion, is expected to be substantially deployed before December 31, 1999, the Company anticipates that the impact of other carriers who may experience business interruptions would be lessened, and such interruptions are not currently expected to have material adverse impacts on the Company.

Contingency Plans. The Company consistently monitors the progress of its Year 2K program. The Company currently anticipates that it will resolve its Year 2K issues before the end of 1999, with the exception of any issues that involve other carriers or suppliers and are outside of its control. During 1999, the Company will also monitor efforts undertaken through regulatory agencies and industry groups to assure that Year 2K preparations are completed in a timely manner. The Company has begun to evaluate whether there are areas for which contingency plans are appropriate (but has not identified any such areas to date). Any need for contingency planning will be identified over the next two quarters. Contingency plans (if necessary) will be developed for critical systems if conversion or replacement projects fall behind schedule, or if internetwork testing should identify significant risk issues, or if broader industry concerns emerge that management concludes require such action.

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New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued FAS 130, "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. This statement establishes standards for reporting and displaying of comprehensive income and its components in a full-set of general-purpose financial statements. Comprehensive income is defined as "the change in equity of a company during a period from transactions and other events and circumstances from nonowner sources." This statement requires reporting by major components and as a single total, the change in net assets during the period from non-shareholder sources. The Company adopted FAS 130 in the first quarter of 1998. Adoption of this standard does not have a material impact on Frontier.

The Company has adopted the provisions of FAS 131, "Disclosures about Segments of an Enterprise and Related Information," effective December 31, 1998. This statement establishes annual and interim reporting standards for an enterprise's business segments and related disclosures about its products, services, geographic areas and major customers. Adoption of this statement did not impact the Company's consolidated financial position, results of operations or cash flows.

In April 1998, the American Institute of Certified Public Accountants issued SOP 98-5 which requires that start-up costs be expensed as incurred. The Company adopted the provisions of SOP 98-5 in 1998. Accordingly, \$1.8 million, net of applicable income taxes of \$.8 million of unamortized start-up costs at December 31, 1997, have been expensed in the accompanying Consolidated Statements of Income and is reported as cumulative effect of a change in accounting principle. These start-up costs are primarily related to product development costs associated with new business ventures.

The Company adopted FAS 128, "Earnings Per Share," effective December 31, 1997. This statement simplifies the standards for computing earnings per share previously found in Accounting Principles Board Opinion No. 15, "Earnings Per Share", and makes them comparable to international earnings per share ("EPS") standards. FAS 128 requires dual presentation of basic and diluted EPS on the face of the income statement and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS calculation. Basic EPS excludes the effect of common stock equivalents and is computed by dividing income available to common shareholders by the weighted average of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. The impact on EPS resulting from the adoption of FAS 128 was not material.

The FASB issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities" effective for fiscal years beginning after June 15, 1999. This statement standardizes the accounting for derivatives and hedging activities and requires that all derivatives be recognized in the statement of financial position as either assets or liabilities at fair value. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are to be reported in earnings. Adoption of this standard is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

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To the Board of Directors and
Shareholders of Frontier Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Frontier Corporation and its subsidiaries at December 31, 1998, 1997, and 1996, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 12 to the financial statements, during 1998 the Company adopted the provisions of Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities."

As discussed in Note 12 to the financial statements, during 1996 the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of."

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
January 25, 1999
Rochester, New York

Report of Management

The integrity and objectivity of the accompanying financial information is the responsibility of the management of Frontier Corporation.

The financial statements report on management's accountability for corporate operations and assets. To this end management maintains a highly developed system of internal controls and procedures designed to provide reasonable assurance that the Company's assets are protected and that all transactions are accounted for in conformity with generally accepted accounting principles. The system includes documented policies and guidelines, augmented by a comprehensive program of internal and independent audits conducted to monitor overall accuracy of financial information and compliance with established procedures.

PricewaterhouseCoopers LLP, an independent accounting firm, provides an objective assessment of the degree to which management meets its responsibility for financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures they consider necessary to express an opinion that the financial statements present fairly the financial position of the Company.

/s/ Rolla P. Huff

Rolla P. Huff
Executive Vice President and Chief Financial Officer
Frontier Corporation
January 25, 1999

Report of Audit Committee

The Audit Committee of the Board of Directors is comprised of three independent directors who are not officers or employees of the corporation. The committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Audit Committee recommends to the Board of Directors the election of the independent accountants and ratification by the shareholders. The committee also meets regularly with management, the independent accountants and internal auditors to review accounting, auditing, internal accounting controls, pending litigation and financial reporting matters. As a matter of policy, the internal auditors and independent accountants have unrestricted access to the Audit Committee.

Jairo A. Estrada
 Chairman, Audit Committee
 Frontier Corporation
 January 25, 1999

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Business Segment Information

<TABLE>

<CAPTION>

In thousands of dollars	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Integrated Services:			
Revenue			
Commercial	\$ 981,977	\$ 924,779	\$ 938,030
Consumer	239,782	267,689	241,311
Carrier	641,361	420,670	702,590
Exited business-Prepaid	--	53,362	19,278
Total Revenue	1,863,120	1,666,500	1,901,209
Cost of Access	1,191,760	1,067,985	1,210,343
Gross Margin	671,360	598,515	690,866
Selling, General and Administrative Expense	471,625	464,236	376,600
Depreciation and Amortization	110,097	98,844	84,336
Operating Income:			
Operating Income Before Other Charges	89,638	35,435	229,930
Other Charges	(6,528)	(175,856)	(39,756)
Total Operating Income (Loss)	\$ 83,110	\$ (140,421)	\$ 190,174
Capital Expenditures	\$ 487,403	\$ 316,901	\$ 189,604
Total Assets	\$1,740,320	\$1,327,651	\$1,059,951
Local Communications Services:			
Revenue	\$ 701,935	\$ 667,078	\$ 643,013
Costs and Expenses	334,642	314,503	325,025
Depreciation and Amortization	112,925	110,104	102,350
Operating Income:			
Operating Income Before Other Charges	254,368	242,471	215,638
Other Charges	--	(4,174)	(23,100)
Total Operating Income	\$ 254,368	\$ 238,297	\$ 192,538
Capital Expenditures	\$ 153,901	\$ 108,782	\$ 101,342
Total Assets	\$1,033,655	\$ 931,438	\$ 941,629
Corporate Operations and Other:			
Revenue	\$ 28,503	\$ 41,231	\$ 44,297
Costs and Expenses	45,801	46,011	49,612
Depreciation and Amortization	2,784	3,584	4,274
Operating Loss:			
Operating Loss Before Other Charges	(20,082)	(8,364)	(9,589)
Other Charges	--	(3,354)	(4,900)
Total Operating Loss	\$ (20,082)	\$ (11,718)	\$ (14,489)
Capital Expenditures	\$ 55,128	\$ 27,305	\$ 22,554
Total Assets	\$ 284,768	\$ 228,831	\$ 227,812
Consolidated:			
Revenue	\$2,593,558	\$2,374,809	\$2,588,519
Costs and Expenses	2,043,828	1,892,735	1,961,580
Depreciation and Amortization	225,806	212,532	190,960
Operating Income:			
Operating Income Before Other Charges	323,924	269,542	435,979
Other Charges	(6,528)	(183,384)	(67,756)
Total Operating Income	\$ 317,396	\$ 86,158	\$ 368,223
Capital Expenditures	\$ 696,432	\$ 452,988	\$ 313,500
Total Assets	\$3,058,743	\$2,487,920	\$2,229,392

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

<TABLE>				
<CAPTION>				

In thousands of dollars, except per share data	Years Ended December 31,	1998	1997	1996

<S>		<C>	<C>	<C>
Revenue				
Integrated Services		\$1,863,120	\$1,666,500	\$1,901,209
Local Communications		701,935	667,078	643,013
Corporate Operations and Other		28,503	41,231	44,297

Total Revenue		2,593,558	2,374,809	2,588,519
Costs and Expenses				
Operating expenses		1,982,008	1,834,239	1,911,553
Depreciation and amortization		225,806	212,532	190,960
Taxes other than income taxes		61,820	58,496	50,027
Other charges		6,528	183,384	67,756

Total Costs and Expenses		2,276,162	2,288,651	2,220,296

Operating Income		317,396	86,158	368,223
Interest expense		55,318	48,239	43,312
Other income:				
Gain on sale of assets		20,378	18,765	4,976
Equity earnings from unconsolidated wireless interests		16,711	12,019	9,011
Interest income		5,084	3,659	2,363
Other income (expense)		2,852	3,627	(500)

Income Before Taxes and Cumulative Effect of Changes in Accounting Principles		307,103	75,989	340,761
Income tax expense		129,560	44,188	142,556

Income Before Cumulative Effect of Changes in Accounting Principles		177,543	31,801	198,205
Cumulative effect of changes in accounting principles		(1,755)	--	(8,018)

Consolidated Net Income		175,788	31,801	190,187
Dividends on preferred stock		(1,005)	(1,019)	(1,182)

Basic Income Applicable to Common Stock		\$ 174,783	\$ 30,782	\$ 189,005
Diluted earnings adjustment		360	--	360

Diluted Income Applicable to Common Stock		\$ 175,143	\$ 30,782	\$ 189,365

Basic Earnings Per Common Share				
Income before cumulative effect of changes in accounting principles		\$ 1.03	\$.18	\$ 1.19
Cumulative effect of changes in accounting principles		(.01)	--	(.05)

Basic Earnings Per Common Share		\$ 1.02	\$.18	\$ 1.14
Average Shares Outstanding		170,626	168,975	165,234
=====				
Diluted Earnings Per Common Share				
Income before cumulative effect of changes in accounting principles		\$ 1.02	\$.18	\$ 1.18
Cumulative effect of changes in accounting principles		(.01)	--	(.05)

Diluted Earnings Per Common Share		\$ 1.01	\$.18	\$ 1.13
Average Shares Outstanding		173,941	169,967	167,508
=====				

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Balance Sheets

<TABLE>				
<CAPTION>				

In thousands of dollars, except share data	December 31,	1998	1997	1996

<S>		<C>	<C>	<C>
ASSETS				
Current Assets				
Cash and cash equivalents		\$ 85,143	\$ 26,302	\$ 37,411
Accounts receivable (less allowance for uncollectibles of				

\$37,956, \$25,100 and \$31,519, respectively)	422,724	380,324	365,486
Materials and supplies	9,924	12,312	13,421
Deferred income taxes	13,320	33,948	30,617
Prepayments and other	35,563	37,419	30,826
Total Current Assets	566,674	490,305	477,761
Property, plant and equipment, net	1,677,559	1,046,884	975,982
Goodwill and customer base, net	484,015	517,754	538,296
Deferred and other assets	330,495	432,977	237,353
Total Assets	\$3,058,743	\$2,487,920	\$2,229,392
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	\$ 449,041	\$ 343,606	\$ 326,938
Dividends payable	38,508	36,798	35,966
Debt due within one year	9,466	6,443	7,929
Taxes accrued	26,128	16,023	34,968
Other liabilities	44,554	90,108	18,596
Total Current Liabilities	567,697	492,978	424,397
Long-term debt	1,350,821	934,681	677,570
Deferred income taxes	40,046	10,927	2,542
Deferred employee benefits obligation	81,925	74,965	57,573
Total Liabilities	2,040,489	1,513,551	1,162,082
Shareholders' Equity			
Preferred stock	18,770	20,126	22,611
Common stock, par value \$1.00, authorized 300,000,000 shares; 171,635,518 shares, 170,503,300 shares, and 168,649,955 shares issued in 1998, 1997, and 1996	171,636	170,503	168,649
Capital in excess of par value	578,946	550,423	523,011
Retained earnings	274,870	253,042	365,651
Accumulated other comprehensive income:			
Minimum pension liability adjustment and other	(4,249)	(2,546)	(1,076)
	1,039,973	991,548	1,078,846
Less-			
Treasury stock, 10,849 shares in 1998 and 1997 and 6,375 shares in 1996, at cost	231	231	147
Unearned compensation	21,488	16,948	11,389
Total Shareholders' Equity	1,018,254	974,369	1,067,310
Total Liabilities and Shareholders' Equity	\$3,058,743	\$2,487,920	\$2,229,392

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

In thousands of dollars	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Operating Activities			
Net income	\$ 175,788	\$ 31,801	\$ 190,187
Adjustments to reconcile net income to net cash provided by operating activities:			
Other charges	6,528	183,384	67,756
Cumulative effect of changes in accounting principles	2,564	--	12,396
Depreciation and amortization	225,806	212,532	190,960
Gain on sale of assets	(20,378)	(18,765)	(4,976)
Equity earnings from unconsolidated wireless interests	(16,711)	(12,019)	(9,011)
Other, net	6,768	4,474	92
Changes in operating assets and liabilities, exclusive of impacts of dispositions and acquisitions:			
(Increase) decrease in accounts receivable	(43,388)	(26,057)	36,137
Decrease (increase) in material and supplies	2,183	(1,315)	(1,378)
Decrease (increase) in prepayments and other current assets	1,779	(7,047)	(2,295)
Increase in deferred and other assets	(32,896)	(7,646)	(12,970)
Increase (decrease) in accounts payable	85,717	3,482	(77,532)
(Decrease) increase in taxes accrued and other current liabilities	(15,589)	(120,416)	1,582
Increase (decrease) in deferred employee benefits obligation	5,916	8,323	(1,298)
Increase in deferred income taxes	50,113	5,054	7,545

Total adjustments	258,412	223,984	207,008
Net cash provided by operating activities	434,200	255,785	397,195
Investing Activities			
Expenditures for property, plant and equipment	(629,815)	(286,947)	(249,231)
Deposits for capital projects	(17,060)	(78,109)	(62,694)
Proceeds from asset sales	49,216	67,889	13,841
Investment in cellular partnerships	29	4,524	(29,422)
Purchase of companies, net of cash acquired	--	--	(5,791)
Net cash used in investing activities	(597,630)	(292,643)	(333,297)
Financing Activities			
Proceeds from issuance of long-term debt	380,910	401,450	58,335
Repayments of debt	(13,840)	(236,386)	(15,120)
Dividends paid	(151,812)	(143,638)	(138,697)
Issuance of common stock	8,433	9,289	33,407
Other financing activities	(1,420)	(4,966)	4,103
Net cash provided by (used in) financing activities	222,271	25,749	(57,972)
Net Increase (Decrease) in Cash and Cash Equivalents	58,841	(11,109)	5,926
Cash and Cash Equivalents at Beginning of Year	26,302	37,411	31,485
Cash and Cash Equivalents at End of Year	\$ 85,143	\$ 26,302	\$ 37,411

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Shareholders' Equity

In thousands of dollars	Preferred Stock	Common Stock	Capital In Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Unearned Compensation	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1996	\$ 22,769	\$160,754	\$418,848	\$ 317,575	\$ (842)	\$ (147)	\$ (6,511)	\$ 912,446
Comprehensive Income:								
Net income				190,187				190,187
Minimum pension liability adjustment and other (net of tax of \$261)					(234)			(234)
Comprehensive Income								189,953
Acquisitions		1,645	19,984					21,629
Redemptions	(158)		53					(105)
Exercise of stock options		5,482	27,355					32,837
Exercise of warrants		87	131					218
Restricted stock plan activity, net		100	4,089				(4,878)	(689)
Tax benefit from exercise of stock options			48,531					48,531
Common and preferred dividends				(141,416)				(141,416)
Equity offering of pooled subsidiary		574	3,675					4,249
Other		7	345	(695)				(343)
Balance, December 31, 1996	\$ 22,611	\$168,649	\$523,011	\$ 365,651	\$ (1,076)	\$ (147)	\$ (11,389)	\$1,067,310
Comprehensive Income:								
Net income				31,801				31,801
Minimum pension liability adjustment and other (net of tax of \$868)					(1,470)			(1,470)

Comprehensive Income									30,331
Acquisitions		616	8,146			2,384			11,146
Redemptions	(2,485)		(13)						(2,498)
Exercise of stock options		162	752						914
Exercise of warrants		44	65						109
Restricted stock plan activity, net		190	3,933			(2,556)			1,567
Incentive stock plan, net			4,964			(3,003)			1,961
Tax benefit from exercise of stock options			982						982
Common and preferred dividends				(144,470)					(144,470)
Purchases for acquisition						(2,468)			(2,468)
Equity offering of pooled subsidiary		813	8,215						9,028
Other		29	368	60					457
Balance, December 31, 1997	\$ 20,126	\$170,503	\$550,423	\$ 253,042	\$ (2,546)	\$ (231)	\$ (16,948)	\$	974,369
Comprehensive Income:									
Net income				175,788					175,788
Minimum pension liability adjustment and other (net of tax of \$365)					(1,703)				(1,703)
Comprehensive Income									174,085
Redemptions	(1,356)		(102)						(1,458)
Exercise of stock options		548	7,885						8,433
Restricted stock plan activity, net		344	15,847			(5,380)			10,811
Incentive stock plan, net						840			840
Tax benefit from exercise of stock options			4,505						4,505
Common and preferred dividends				(153,522)					(153,522)
Other		241	388	(438)					191
Balance, December 31, 1998	\$18,770	\$171,636	\$578,946	\$ 274,870	\$ (4,249)	\$ (231)	\$ (21,488)	\$1,018,254	

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Description of Business and Organization--Frontier Corporation ("Frontier" or "the Company"), headquartered in Rochester, New York, is a leading provider of integrated telecommunications services, including Internet, IP and data applications, long distance, local telephone and enhanced services to more than two million business, carrier, web-centric and targeted residential customers nationwide, and in certain international countries. It is one of the largest long distance carriers and local exchange service providers in the United States. The Company provides domestic and international voice, data products, video and audio communications, digital distribution services, and Internet service and other communications products to primarily small to mid-sized business customers, carrier customers, web-centric customers and targeted consumer markets.

Consolidation--The consolidated financial information includes the accounts of Frontier and its majority-owned subsidiaries after elimination of all significant intercompany transactions. Investments in entities in which the Company does not have a controlling interest are accounted for using the equity method.

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Materials and Supplies--Materials and supplies are stated at the lower of cost or market, based on weighted average unit cost.

Property, Plant and Equipment--The investment in property, plant and equipment is recorded at cost. Improvements that significantly add to productive capacity or extend useful life are capitalized. Maintenance and repairs are expensed as incurred. The Company's provision for depreciation of property, plant and equipment is based on the straight-line method using estimated service lives of the various classes of plant. The range of service lives for buildings is 10 to

40 years. The range of service lives for local and fiber service lines is 12 to 25 years, central office equipment and switching facilities is 3 to 20 years, station equipment is 10 to 21 years and for office equipment and other is 2 to 20 years.

The cost of depreciable telephone property units (assets of the Local Communications segment) retired, plus removal costs, less salvage is charged to accumulated depreciation. When non-telephone property, plant and equipment is retired or sold, the resulting gain or loss is recognized currently as an element of other income.

Goodwill and Customer Base--The excess of the cost of companies purchased over the net assets acquired is amortized using a straight-line basis over 7 to 40 years. The purchase price of customer bases acquired is amortized using a straight-line basis over principally 5 to 7 years. Accumulated amortization is \$142.8 million, \$131.6 million, and \$106.5 million at the end of 1998, 1997 and 1996, respectively.

Investment in Cellular Partnerships--Financial results for the Company's cellular joint venture with Bell Atlantic Corporation have been reported using the equity method of accounting. Accordingly, Frontier's 50% share of the joint venture's earnings is reflected in the "Other income" section of the Consolidated Statements of Income. The partnership investment balances of \$83.5 million in 1998, \$69.3 million in 1997, and \$58.6 million in 1996 are included in "Deferred and other assets" in the Consolidated Balance Sheets.

Impairment of Long-Lived Assets--In the event that facts and circumstances indicate that the carrying amount of a long-lived asset may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow is required.

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Accounts Payable--Accounts payable includes trade accounts payable and an estimated accrual for long distance cost of access.

Fair Value of Financial Instruments--Cash and cash equivalents are valued at their carrying amounts, which are reasonable estimates of fair value. The fair value of long-term debt is estimated using rates currently available to the Company for debt with similar terms and maturities. The fair value of all other financial instruments approximates cost as stated.

Federal Income Taxes--Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are anticipated to be in effect when those differences are expected to reverse. Income tax benefits of tax deductions related to common stock transactions with the Company's stock option plans are recorded directly to capital in excess of par value.

The Company provides a valuation allowance for its deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Revenue Recognition--Customers are billed as of monthly cycle dates. Revenue is recognized as service is provided net of an estimate for uncollectible accounts.

Fiber Exchange Agreements--In connection with its Optronics network expansion, the Company has entered into various agreements to sell or exchange fiber usage rights. Sales of fiber usage rights are recorded as unearned revenue. Revenue is recognized over the terms of the related agreements. Non-monetary exchanges of fiber usage rights (swaps of fiber usage with other long distance carriers) are recorded at the cost of the asset transferred or, if applicable, the fair value of the asset received.

Market Risk Disclosure--As of December 31, 1998, the Company does not have any significant concentration of business transacted with a particular customer, supplier or lender that could, if suddenly eliminated, severely impact its operations. However, a portion of the Company's revenues is derived from services provided to others in the telecommunications industry, mainly resellers of long distance telecommunications service. Accordingly, the Company periodically performs ongoing credit evaluations of its larger customers' financial condition to limit credit risk to the extent possible.

The Company is also exposed to market risk from changes in interest rates on long-term debt obligations that impact the fair value of these obligations. The Company's policy is to manage interest rates through the use of a combination of fixed and variable rate debt, and to periodically use interest rate swaps to manage its risk profile.

Cash Flows--For purposes of the Statements of Cash Flows, the Company

considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The tax benefit realized from the exercise of stock options of \$4.5 million, \$1.0 million, and \$48.5 million for 1998, 1997 and 1996, respectively, is reflected as an adjustment to capital in excess of par value and taxes accrued.

Actual interest paid was \$53.8 million in 1998, \$59.6 million in 1997, and \$49.7 million in 1996. Actual income taxes paid were \$64.2 million in 1998, \$61.3 million in 1997, and \$70.1 million in 1996. Interest costs associated with the construction of capital assets, including the nationwide Optronics network project, are capitalized. Total amounts capitalized during 1998, 1997 and 1996 were \$18.2 million, \$13.4 million, and \$6.2 million, respectively.

Reclassifications--Certain reclassifications have been made to previously reported balances for 1996 and 1997 to conform to the 1998 presentation.

2. Acquisitions, Mergers and Divestitures

Acquisitions and Mergers

On February 27, 1998, the Company acquired GlobalCenter Inc. (renamed "Frontier GlobalCenter Inc." or "GlobalCenter"), a leading provider in digital distribution, Internet and data services headquartered in Sunnyvale, California. Under the terms of the merger agreement, the Company acquired all of the outstanding shares of GlobalCenter. The total shares issued by the Company to effect the merger were 6.4 million. At the time of the merger, GlobalCenter had 1.1 million stock options and warrants outstanding as converted into Frontier equivalents. This transaction was accounted for using the pooling of interests method of accounting and, accordingly, historical information has been restated to include GlobalCenter.

Combined and separate results of Frontier Corporation and GlobalCenter were as follows:

<TABLE>
<CAPTION>

In Millions	Frontier Corporation	GlobalCenter	Combined
<S>	<C>	<C>	<C>

One month ended January 31, 1998			
Revenues	\$ 205.5	\$ 2.5	\$ 208.0
Net income (loss)	\$ 14.7	\$ (1.0)	\$ 13.7

Year ended December 31, 1997			
Revenues	\$2,352.9	\$ 21.9	\$2,374.8
Net income (loss)	\$ 54.6	\$ (22.8)	\$ 31.8

Year ended December 31, 1996			
Revenues	\$2,575.6	\$ 12.9	\$2,588.5
Net income (loss)	\$ 209.9	\$ (19.7)	\$ 190.2
=====			

</TABLE>

In November 1997, the Company, through GlobalCenter, acquired Voyager Networks, Inc. ("Voyager"), a New York City-based provider of content management and distribution services. The Company issued .6 million shares of Frontier equivalent common stock in exchange for all of Voyager's issued and outstanding shares of common stock. Additionally, .1 million outstanding options for common stock of Voyager, as converted into Frontier equivalents, were assumed by the Company in connection with the acquisition. This transaction was accounted for as a purchase.

In May 1997, the Company, through GlobalCenter, merged with ISI, Inc. ("ISI"), a Sunnyvale, California-based provider of web hosting and digital distribution services. The Company issued 1.7 million shares of Frontier equivalent common stock in exchange for all of ISI's issued and outstanding voting stock. Additionally, .1 million outstanding options for common stock of ISI, as converted into Frontier equivalents, were assumed by the Company in connection with the merger. The ISI merger was accounted for as a pooling of interests and, accordingly, the Company's consolidated financial statements have been restated for all periods prior to the merger to include the accounts and operations of ISI.

In February 1997, the Company completed its purchase of R.G. Data Incorporated (renamed "Frontier Network Systems Corp." or "FNCS"), a privately held upstate New York based computer and data networking equipment and services company. A total of 110,526 shares of Frontier common stock held in treasury were reissued in exchange for all of the shares of R.G. Data Incorporated. The treasury shares were acquired through open market purchases. This transaction was accounted for

as a purchase.

In December 1996, the Company, through GlobalCenter, merged with GCIS, Inc. ("GCIS"), a Sunnyvale, California-based provider of business Internet management services. The Company issued 1.6 million shares of Frontier equivalent common stock in exchange for all of the issued and outstanding voting stock of GCIS. Additionally, .1 million outstanding options for the common stock of GCIS, as converted into Frontier equivalents, were assumed by the Company in connection with the merger. This transaction was accounted for as a purchase.

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In March 1996, the Company acquired a 55 percent interest in the New York RSA No. 3 Cellular Partnership ("RSA No. 3"). RSA No. 3 is a provider of cellular mobile telephone service in the New York State Rural Service Area No. 3, which encompasses much of the Southern Tier area of New York State. The Company's interest in RSA No. 3 is managed by Frontier Cellular, a 50/50 owned joint venture with Bell Atlantic, and the operating results are reported using the equity method of accounting. The Company paid \$25.3 million in cash for its interest in RSA No. 3.

Divestitures

During November 1998, the Company sold certain non-strategic investments. The sales resulted in an after-tax gain of \$3.0 million.

In April 1998, the Company completed the sale of Minnesota Southern Cellular Telephone Company ("Minnesota RSA No. 10"), a wholly owned cellular partnership, and certain other properties. The sale of these properties resulted in a combined pre-tax gain of \$15.2 million and an after-tax gain of \$2.9 million. The income tax effect on these gains of \$12.3 million is primarily impacted by the sale of Minnesota RSA No. 10 which resulted in nondeductible goodwill.

On December 9, 1997, the Company completed the sale of a portion of its retail prepaid calling card business to SmarTalk Teleservices Inc. for \$36.6 million. The net proceeds from this sale were offset by costs necessary to phase out the remainder of the Company's prepaid business.

On January 31, 1997, the Company completed the sale of its 69.5% equity interest in the South Alabama Cellular Communications Partnership. The sale resulted in a pre-tax gain of \$18.8 million.

3. Other Charges

In the first quarter of 1998, the Company recorded a pre-tax charge of \$6.5 million associated with the acquisition of GlobalCenter. These charges included investment banker, legal fees and other direct costs and were subsequently liquidated in 1998.

In October 1997, the Company recorded a pre-tax charge of \$86.8 million consisting of a restructuring charge of \$43.0 million and a provision for asset and lease impairments of \$43.8 million. The restructuring charge was primarily associated with a workforce reduction, program cancellations and the exiting of certain product lines. During 1997, the Company reduced its work force by approximately 700 positions, or 8%, and the restructuring charge of \$43.0 million was subsequently liquidated during 1998. The provision for asset and lease impairments primarily relates to long term assets and certain lease obligations the Company is in the process of disposing of, or exiting.

In March 1997, the Company recorded a \$96.6 million pre-tax charge primarily related to the write-off of certain leased network facilities no longer required as a result of the migration of the Company's major carrier customer's one-plus traffic volume to other networks and the Company's overall network integration efforts. The Company completed the decommissioning of these redundant facilities during the first quarter of 1998.

In December 1996, the Company, through GlobalCenter, recorded a pre-tax charge of \$18.9 million related to the write-off of in-process product development costs associated with the 1996 merger with GCIS, an Internet management services company.

In November 1996, the Company recorded a \$48.8 million pre-tax charge. This charge included \$28.0 million for the curtailment of certain Company pension plans and a \$20.8 million charge primarily to write-off unrecoverable product development costs for its conference calling product line.

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4. Property, Plant and Equipment

Major classes of property, plant, and equipment are summarized below:

<TABLE>

<CAPTION>

In thousands of dollars	At December 31,	1998	1997	1996
<S>	<C>	<C>	<C>	
Land and buildings	\$ 111,948	\$ 117,750	\$ 116,876	
Local and fiber service lines	857,699	817,645	795,855	
Central office equipment	677,380	614,021	580,217	
Station equipment	43,293	40,608	38,770	
Switching facilities and Optronics network	720,019	412,067	390,779	
Office equipment and other	370,959	266,223	233,737	
Plant under construction	424,153	171,756	126,140	
Less: Accumulated Depreciation	1,527,892	1,393,186	1,306,392	
	\$1,677,559	\$1,046,884	\$ 975,982	

</TABLE>

Depreciation expense was \$189.8 million, \$167.7 million and \$147.6 million for the years ending December 31, 1998, 1997 and 1996, respectively.

5. Long-Term Debt

<TABLE>
<CAPTION>

In thousands of dollars	At December 31,	1998	1997	1996
<S>	<C>	<C>	<C>	
Frontier Communications of Minnesota, Inc. Senior Notes, 7.61%, due 2003	\$ 35,000	\$ 35,000	\$ 35,000	
Rural Utilities Service Debt, 2%-9% due 1999 to 2026	50,313	53,239	64,654	
	85,313 (a)	88,239	99,654	
Debtures				
10.46% convertible, due 2008 9%, due 2021	5,300 (b)	5,300	5,300	
	100,000	100,000	100,000	
	105,300	105,300	105,300	
9% Senior Subordinated Notes, due 2003	-- (c)	3,061	3,180	
Medium-term notes, 7.51% - 9.3%, due 2000 to 2004	219,000	219,000	219,000	
8.25% Notes, due 2011	--	2,225	2,600	
7.25% Notes, due 2004	300,000	300,000 (d)	--	
6.25% 12-2 Putable Notes ("PATS"), due 1999	100,000	100,000 (e)	--	
6.00% 15-5 Putable Notes, due 2013	200,000 (f)	--	--	
Revolving Credit Agreements	197,719 (g)	21,705	248,570	
Capitalized lease obligations	12,519	8,795	9,051	
Other debt	136,914 (h)	92,888	996	
Sub-total	1,356,765 (i)	941,213	688,351	
Less: Discount/(Premium) on long-term debt	(3,522)	89	2,852	
Current portion of long-term debt	9,466	6,443	7,929	
Total Long-Term Debt	\$1,350,821	\$934,681	\$677,570	

</TABLE>

(a) Certain assets of the Local Communications Services' segment are pledged as security.

(b) The debenture is convertible into common stock at any time after October 26, 1998 at \$10.5375 per share. A total of 502,966 shares of common stock are reserved for such conversion.

(c) The Company exercised its option to call the remaining balance of its 9% 2003 Senior Subordinated Notes in May 1998.

(d) In December 1997, the Company entered into an interest rate hedge agreement that effectively converts \$200.0 million of the Company's 7.25% fixed-rate notes due May 2004 into a floating rate based on a "basket" London Interbank Offered Rate ("LIBOR") index rate plus 2.88%. The agreement expires in May 2004 and caps the floating rate the Company pays at 7.25% through November 1999 and 9.00% through May 2004. Interest expense and the related cash flows under the agreement are accounted for on an accrual basis. The Company periodically enters into such agreements to balance its floating rate and fixed rate obligations to insulate against interest rate risk and maximize savings.

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(e) The Company issued \$100.0 million face value of putable notes in December,

1997 as a 144A offering. These notes have an initial maturity of two years, at which time the notes will be either put back to the Company for redemption or effectively remarketed by the trust as 10 year debt, depending on the interest rate environment at that time. In the event that the notes are put back for redemption in 1999, the Company intends to finance this obligation through available credit facilities and unused commitments extending beyond one year; therefore, the obligation is classified as long-term debt.

(f) The Company issued \$200.0 million face value of putable notes in September 1998. These notes may be put back to the Company in October 2003, depending on the interest rate environment at that time.

(g) The Company has credit facilities totaling \$475.0 million which are available through commercial paper borrowings or through draws under Revolving Credit Agreements. At December 31, 1998, the Company had outstanding \$197.7 million in commercial paper issuances. Commercial paper is classified as long-term debt as the Company intends to refinance the debt through continued short-term borrowing or available credit facilities with unused commitments extending beyond one year. The Company established a \$275.0 million three-year revolving credit facility and a \$200.0 million 364 day facility in November 1998 with a group of ten commercial banks. The Agreements are unsecured and have commitment fees of .09 percent per year on the entire commitment, with interest on amounts drawn down based upon LIBOR plus .16 percent

(h) This amount includes the Company's obligation to pay \$136.9 million related to its Optronics network build (\$57.9 million) and other capital initiatives (\$79.0 million). As of December 31, 1997, the Company was obligated to pay \$92.9 million related to its Optronics network. These amounts are classified as long-term as the Company intends to finance this obligation through available credit facilities and unused commitments extending beyond one year.

(i) In accordance with FAS 107, "Disclosures about Fair Value of Financial Instruments," the Company estimates that the fair value of the debt, based on rates currently available to the Company for debt with similar terms and remaining maturities, is \$1.41 billion, as compared to the carrying value of \$1.36 billion.

At December 31, 1998, aggregate debt maturities were:

<TABLE>
<CAPTION>

In thousands of dollars	1999	2000	2001	2002	2003
<S>	<C>	<C>	<C>	<C>	<C>
	\$ 9,466	\$16,942	\$273,355	\$43,249	\$ 37,991

</TABLE>

6. Income Taxes

The provision for income taxes consists of the following:

<TABLE>
<CAPTION>

In thousands of dollars	Years Ended December 31,	1998	1997	1996
<S>		<C>	<C>	<C>
Federal:				
Current		\$ 64,057	\$24,189	\$114,402
Deferred		47,144	11,101	5,996
		111,201	35,290	120,398
State:				
Current		11,327	11,234	19,757
Deferred		7,032	(2,336)	2,401
		18,359	8,898	22,158
Total income taxes		\$129,560	\$44,188	\$142,556

</TABLE>

The reconciliation of the federal statutory income tax rate with the effective income tax rate reflected in the financial statements is as follows:

<TABLE>
<CAPTION>

In thousands of dollars	Years Ended December 31,	1998	1997	1996
<S>		<C>	<C>	<C>
Federal income tax expense at statutory rate		35.0%	35.0%	35.0%

State income tax (net of federal benefit)	3.9	7.6	4.2
Net operating loss carryforwards	(1.1)	4.7	(1.0)
Research and development costs	--	--	1.9
Goodwill amortization	3.4	7.0	1.3
Other	1.0	3.8	.4

Total income tax	42.2%	58.1%	41.8%
=====			

</TABLE>

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Deferred tax liabilities (assets) are comprised of the following at December 31:

<TABLE>

<CAPTION>

In thousands of dollars	1998	1997	1996

<S>	<C>	<C>	<C>
Accelerated depreciation	\$ 121,038	\$ 111,657	\$ 87,612
Research and development costs	9,376	4,712	1,447
Other	36,924	19,206	21,468

Gross deferred tax liabilities	167,338	135,575	110,527

Basis adjustment - purchased			
telephone companies	(25,296)	(23,120)	(25,477)
Employee benefits obligation	(15,498)	(13,509)	(11,136)
Net operating loss carryforwards	(54,589)	(56,494)	(46,066)
Acquisition related and other charges	(20,255)	(46,944)	(27,630)
Bad debt expense	(3,486)	(4,463)	(11,232)
Other	(40,927)	(36,972)	(38,127)

Gross deferred tax assets	(160,051)	(181,502)	(159,668)
Valuation allowance	19,439	22,906	21,066

Total deferred tax assets	(140,612)	(158,596)	(138,602)

Net deferred tax liabilities (assets)	\$ 26,726	\$ (23,021)	\$ (28,075)
=====			

</TABLE>

Certain of the Company's acquired subsidiaries have tax net operating losses and alternative tax net operating loss carryforwards ("NOLs") which can be utilized annually to offset separate company future taxable income. Under the provisions of Internal Revenue Code Section 382, the utilization of carryforwards is presently limited. The Company's NOLs begin to expire in 2004. As a result of the annual limitation and the difficulty in predicting their utilization beyond a period of three years, the Company has established valuation allowances for the NOL carryforwards. Because certain of the NOL carryforwards were acquired in purchase acquisitions and the related valuation allowance was recorded using purchase accounting, \$7.0 million of this valuation allowance, if subsequently recognized, would be allocated to reduce goodwill.

7. Service Pensions and Benefits

The Company has contributory and noncontributory plans providing for service pensions and certain death benefits for substantially all employees. In 1995 and 1996, defined benefit plans sponsored by the Company were frozen. On an annual basis, contributions are remitted to the trustees to ensure proper funding of the plans.

The majority of the Company's pension plans have plan assets that exceed accumulated benefit obligations. There are certain plans, however, with accumulated benefit obligations which exceed plan assets. The following tables summarize the funded status of the Company's pension plans and the related amounts that are primarily included in "Deferred and other assets" in the Consolidated Balance Sheets.

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<TABLE>

<CAPTION>

In thousands of dollars	1998	1997	1996

<S>	<C>	<C>	<C>
Change in Benefit Obligation			
Benefit obligation at beginning of year	\$487,702	\$437,954	\$409,563
Service cost	162	1,551	6,487
Interest cost	32,820	32,983	30,100
Actuarial loss (gain)	14,663	35,947	(5,692)

Benefits paid	(36,085)	(28,413)	(22,110)
Curtailements	--	737	19,606
Special termination benefits	--	6,943	--

Benefit obligation at end of year	\$499,262	\$487,702	\$437,954

Change in Plan Assets			
Fair value of plan assets at beginning of year	\$550,866	\$493,894	\$451,024
Actual return on plan assets	73,667	83,775	63,806
Employer contribution	2,000	1,610	1,174
Benefits paid	(36,085)	(28,413)	(22,110)

Fair value of plan assets at end of year	\$590,448	\$550,866	\$493,894

Funded status	91,186	63,164	55,940
Unrecognized net transition asset	(1,479)	(1,801)	(2,837)
Unrecognized prior service cost	9,916	10,556	11,097
Unrecognized net gain	(66,702)	(57,616)	(52,354)
Adjustment required to recognize minimum liability	(5,632)	(4,588)	(2,109)

Prepaid benefit cost, net	\$ 27,289	\$ 9,715	\$ 9,737
=====			

</TABLE>

The net periodic pension cost consists of the following:

<TABLE>

<CAPTION>

In thousands of dollars	Years Ended December 31,	1998	1997	1996

<S>	<C>	<C>	<C>	
Service cost	\$ 162	\$ 1,551	\$ 6,487	
Interest cost on projected benefit obligation	32,820	32,983	30,100	
Expected return on plan assets	(47,174)	(83,775)	(63,807)	
Net amortization and deferral	(4,110)	40,715	25,723	
Amount expensed due to curtailment	--	6,943	28,000	

Net periodic pension (benefit) cost	\$ (18,302)	\$ (1,583)	\$ 26,503	
=====				

</TABLE>

The following rates and assumptions were used to calculate the projected benefit obligation:

<TABLE>

<CAPTION>

Years Ended December 31,	1998	1997	1996

<S>	<C>	<C>	<C>
Weighted average discount rate	6.8%	7.0%	7.5%
Rate of salary increase	5.0%	5.0%	5.0%
Expected return on plan assets	9.5%	9.5%	9.0%
=====			

</TABLE>

The projected benefit obligation and accumulated benefit obligation for the pension plans with accumulated benefit obligations in excess of plan assets were \$25.8 million and \$25.2 million, respectively, as of December 31, 1998, \$24.6 million and \$24.1 million, respectively, as of December 31, 1997, and \$14.9 million and \$13.8 million, respectively, as of December 31, 1996. As of December 31, 1998, 1997 and 1996, the fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets was zero.

The Company's funding policy is to make contributions for pension benefits based on actuarial computations which reflect the long-term nature of the pension plan. However, under FAS 87, "Employers' Accounting for Pensions," the development of the projected benefit obligation essentially is computed for financial reporting purposes and may differ from the actuarial determination for funding due to varying assumptions and methods of computation. The Company changed its assumptions used in 1998 and 1997. These changes in assumptions did not have a material effect on pension expense in the respective years.

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In 1997, the Company recognized a curtailment loss of \$6.9 million related to the restructuring of the workforce. In 1996, the Company recognized a curtailment loss of \$28.0 million reflecting the enhancement and freezing of defined benefit plans sponsored by Frontier Corporation, primarily for certain bargaining unit employees.

The Company also sponsors a number of defined contribution plans. The most significant plan covers non-bargaining employees, who can elect to make

contributions through payroll deduction. Effective January 1, 1996, the Company provides a contribution of .5 percent of gross compensation in common stock for every employee eligible to participate in the plan. The common stock used for matching contributions is purchased on the open market by the plan's trustee. The Company also provides 100% matching contributions in its common stock up to three percent of gross compensation, and may, at the discretion of the Management Benefit Committee, provide additional matching contributions based upon Frontier's financial results. The total cost recognized for all defined contribution plans was \$9.7 million for 1998, \$8.8 million for 1997, and \$8.4 million for 1996.

8. Postretirement Benefits Other Than Pensions

The Company provides health care and life insurance benefits to most employees. Plan assets consist principally of life insurance policies and money market instruments. In adopting FAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", the Company elected to defer the recognition of the accrued obligation of \$125.0 million over a period of twenty years. During 1996, the Company amended its health care benefits plan to cap the cost absorbed by the Company for health care and life insurance for its bargaining unit employees who retire after December 31, 1996. The effect of this amendment was to reduce the December 31, 1996 accumulated postretirement obligation by \$11.2 million. Additionally, during 1996, special termination benefits were offered to certain employees with 25 years of service or more who were already entitled to reduced or full retirement benefits and who voluntarily terminated their employment with the Company prior to December 31, 1996.

The status of the plans is as follows:

<TABLE>
<CAPTION>

December 31, 1998	1998	1997	1996
<S>	<C>	<C>	<C>
Change in Benefit Obligation			
Benefit obligation at beginning of year	\$ 118,587	\$ 104,273	\$110,394
Service cost	671	755	642
Interest cost	8,080	7,734	7,735
Amendments	412	(2,810)	(11,191)
Actuarial loss	9,473	15,676	2,560
Special termination benefit	--	--	360
Benefits paid	(7,473)	(7,041)	(6,227)
Benefit obligation at end of year	\$ 129,750	\$ 118,587	\$104,273
Change in Plan Assets			
Fair value of plan assets at beginning of year	\$ 5,039	\$ 5,322	\$ 5,716
Actual return on plan assets	79	360	(120)
Employer contribution	6,786	6,398	5,953
Benefits paid	(7,473)	(7,041)	(6,227)
Fair value of plan assets at end of year	\$ 4,431	\$ 5,039	\$ 5,322
Funded status	\$ (125,319)	\$ (113,548)	\$ (98,951)
Unrecognized transition obligation	73,292	78,586	84,764
Unrecognized prior service cost	1,516	1,262	90
Unrecognized net loss (gain)	2,196	(8,958)	(24,235)
Accrued benefit cost	\$ (48,315)	\$ (42,658)	\$ (38,332)

</TABLE>

42

The components of the estimated postretirement benefit cost are as follows:

<TABLE>
<CAPTION>

In thousands of dollars	Years Ended December 31,	1998	1997	1996
<S>		<C>	<C>	<C>
Service cost		\$ 671	\$ 755	\$ 642
Interest on accumulated postretirement benefit obligation		8,080	7,734	7,735
Amortization of transition obligation		5,294	5,276	5,512
Return on plan assets		(447)	(476)	(457)
Amortization of prior service cost		165	217	69
Amortization of gains and losses		(1,259)	(1,891)	(2,024)
Special termination benefit		--	--	360
Net postretirement benefit cost		\$ 12,504	\$ 11,615	\$ 11,837

</TABLE>

The following assumptions were used to value the postretirement benefit obligation:

<TABLE>
<CAPTION>

Years Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Weighted average discount rate	6.8%	7.0%	7.5%
Expected return on plan assets	9.5%	9.5%	9.0%
Rate of salary increase	5.0%	5.0%	5.0%
Assumed rate of increase in cost of covered health care benefits	6.4%	6.6%	7.1%

</TABLE>

Increases in health care costs were assumed to decline consistently to a rate of 5.0% by 2006 and remain at that level thereafter. If the health care cost trend rates were increased by one percentage point, the accumulated postretirement benefit health care obligation as of December 31, 1998 would increase by \$10.0 million while the sum of the service and interest cost components of the net postretirement benefit health care cost for 1998 would increase by \$.7 million. If the health care cost trend rates were decreased by one percentage point, the accumulated postretirement benefit health care obligations as of December 31, 1998 would decrease by \$9.4 million while the sum of the service and interest cost components of the net postretirement benefit health care cost for 1998 would decrease by \$.7 million.

The Company changed its assumptions used in 1998 and 1997 for the weighted average discount rate. This change in assumption did not have a material effect on the 1998 or 1997 postretirement expense.

9. Earnings Per Share

The Company adopted the provisions of FAS 128, "Earnings Per Share" effective December 31, 1997. This statement simplifies the standards for computing earnings per share previously found in Accounting Principles Board ("APB") Opinion No. 15, "Earnings Per Share", and makes them comparable to international earnings per share ("EPS") standards. Basic EPS excludes the effect of common stock equivalents and is computed by dividing income available to common shareholders by the weighted average of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Historical earnings per share have been restated to conform with the provisions of FAS 128.

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<TABLE>
<CAPTION>

In thousands of dollars, except per share data	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Basic Earnings Per Share			
Income Applicable to Common Stock	\$174,783	\$ 30,782	\$189,005
Average Common Shares Outstanding	170,626	168,975	165,234
Basic Earnings Per Common Share	\$ 1.02	\$ 0.18	\$1.14
Diluted Earnings Per Share			
Income Applicable to Common Stock	\$174,783	\$ 30,782	\$189,005
Interest Expense on Convertible Debentures(1)	360	--	360
	\$175,143	\$ 30,782	\$189,365
Average Common Shares Outstanding	170,626	168,975	165,234
Options and Warrants	2,812	992	1,771
Convertible Debentures(1)	503	--	503
	173,941	169,967	167,508
Diluted Earnings Per Common Share	\$ 1.01	\$ 0.18	\$1.13

</TABLE>

(1) Convertible debentures are anti-dilutive in 1997.

10. Stock Option Plans and Other Common Stock Transactions

The Company has stock option plans for its directors, executives and certain

employees. The exercise price for all plans is the fair market value of the stock on the date of the grant. The options expire ten years from the date of the grant. The options vest over a period from one to three years. The maximum number of shares which may be granted under the executive plan is limited to one percent of the number of issued shares, including treasury shares, of the Company's common stock during any calendar year. The maximum number of shares which may be granted under the employee plan is a total of 8,000,000 shares over a 10 year period. The maximum number of shares which may be granted under the directors plan is 1,000,000 shares. In connection with the GlobalCenter merger, the Company assumed all the outstanding options of GlobalCenter. The plans provide for discretionary grants of stock options which are subject to the passage of time and continued employment restrictions.

Information with respect to options under the above plans follows:

<TABLE>
<CAPTION>

	Shares	Weighted Average Exercise Price
<S>	<C>	<C>
Outstanding at January 1, 1996	8,441,386	\$11.24
Granted in 1996	3,165,878	\$30.02
Cancelled in 1996	(800,329)	\$28.26
Exercised in 1996	(5,481,681)	\$ 5.99
Outstanding at December 31, 1996	5,325,254	\$25.25
Granted in 1997	4,679,587	\$17.83
Cancelled in 1997	(1,529,340)	\$23.77
Exercised in 1997	(162,421)	\$ 5.58
Outstanding at December 31, 1997	8,313,080	\$21.49
Granted in 1998	4,884,020	\$27.23
Cancelled in 1998	(855,618)	\$23.55
Exercised in 1998	(547,467)	\$13.76
Outstanding at December 31, 1998	11,794,015	\$24.24

</TABLE>

At December 31, 1998, 5,466,372 shares were available for future grant.

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The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for restricted stock awards and for GlobalCenter stock options issued with an exercise price below fair market value. During 1997, the Company recorded deferred compensation of \$5.0 million related to the majority of these options which represents the difference between the exercise price of the options and the fair market value at the time of issuance. As of December 31, 1998 and 1997, the Company recognized related compensation expense of \$0.8 million and \$2.0 million. The remaining balance will continue to be amortized over the four year term of these options.

During 1996 the Company adopted the disclosure requirements of FAS 123, "Accounting for Stock-Based Compensation". In accordance with FAS 123, the Company has elected not to recognize compensation cost related to stock options with exercise prices equal to the market price at the date of issuance. If the Company had elected to recognize compensation cost based on the fair value of the options at grant date as prescribed by FAS 123, the following results would have occurred using the Black-Scholes option valuation model:

<TABLE>
<CAPTION>

In thousands of dollars, except per share data	Years Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>	
Post-Tax Compensation Cost	\$ 14,038	\$12,049	\$ 5,358	
Pro Forma Net Income	\$161,750	\$19,752	\$184,829	
Pro Forma Basic EPS	\$ 0.95	\$ 0.11	\$ 1.11	
Pro Forma Diluted EPS	\$ 0.93	\$ 0.11	\$ 1.10	
Fair Value of Options Granted	\$ 7.77	\$ 5.85	\$ 8.50	
Volatility	33.9%	33.2%	28.4%	
Dividend Yield	3.3%	3.5%	3.0%	
Risk-Free Interest Rates	4.2% to 6.7%	5.7% to 6.7%	5.5% to 7.0%	

</TABLE>

Due to the difference in vesting requirements in each of the plans, the expected lives of the options range from 5 to 7 years. Forfeitures are

recognized as they occur.

<TABLE>

<CAPTION>

Options Outstanding

Range Of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
<S>	<C>	<C>	<C>
\$ 1 - \$ 5	630,512	7.79	\$ 2.23
\$12 - \$20	1,278,981	7.22	\$17.37
\$21 - \$50	9,884,522	8.25	\$26.53

<CAPTION>

Options Exercisable

Range Of Exercise Prices	Number Exercisable	Average Exercise Price
<S>	<C>	<C>
\$ 1 - \$ 5	178,241	\$ 3.46
\$12 - \$20	683,285	\$17.23
\$21 - \$50	3,124,776	\$27.36

</TABLE>

Restricted Stock Plan

The Company has 691,669 shares of common stock outstanding as of December 31, 1998 under its Management Stock Incentive Plan. The stock issued under this plan ("Restricted Stock") is subject to the achievement of certain performance goals, the passage of time and continued employment restrictions. Participants in the plan may earn, without cost to them, Frontier common stock over three years. Shareholders' equity reflects unearned compensation for the unvested stock awarded. During 1998, the Company recognized related compensation expense of \$5.9 million, net of cancellations, and \$1.6 million during 1997. The Company did not recognize compensation expense for restricted stock granted prior to 1997 as the market price of the common stock was significantly below the vesting prices.

11. Preferred Stock

<TABLE>

<CAPTION>

In thousands of dollars, except share data	December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Frontier Corporation-850,000 shares authorized; par value \$100			
5.00% Series-redeemable at \$101 per share			
Shares outstanding	95,276	100,000	100,000
Amount outstanding	\$ 9,527	\$ 10,000	\$ 10,000
5.65% Series-redeemable at \$101 per share			
Shares outstanding	48,219	50,000	50,000
Amount outstanding	\$ 4,822	\$ 5,000	\$ 5,000
4.60% Series-redeemable at \$101 per share			
Shares outstanding	41,514	48,500	48,500
Amount outstanding	\$ 4,151	\$ 4,850	\$ 4,850
Frontier Communications of New York, Inc. 40,000 shares authorized; par value \$100			
5.875% Series A-redeemable at par			
Shares outstanding	--	--	18,694
Amount outstanding	--	--	\$ 1,869
7.80% Series B-redeemable at \$100.80-\$105.00 per share			
Shares outstanding	--	--	6,160
Amount outstanding	--	--	\$ 616
Frontier Communications of AuSable Valley, Inc. 4,000 shares authorized; par value \$100			
5.50% Series-redeemable at par			
Shares outstanding	2,702	2,754	2,754
Amount outstanding	\$ 270	\$ 276	\$ 276
Total shares outstanding	187,711	201,254	226,108
Total amount outstanding	\$ 18,770	\$ 20,126	\$ 22,611

Effective January 1, 1997, the Company redeemed all of the outstanding preferred stock of its wholly-owned subsidiary, Frontier Communications of New York, Inc. at approximately par value.

At the special meeting in December 1994, Frontier shareholders authorized 4,000,000 shares of a new class of preferred stock, having a par value of \$100.00 per share and designated as Class A Preferred Stock. This class of stock will rank junior to the cumulative preferred stock as to dividends and distributions, and upon the liquidation, dissolution or winding up of the Company. As of December 31, 1998, no shares of this class have been issued.

On April 9, 1995, the Board of Directors adopted a Shareholders' Rights Plan (the "Plan"). This Plan provides for a dividend distribution on each outstanding common share of a right to purchase one one-hundredth of a share of Series A Junior Participating Class A Preferred Stock. The rights are designed to protect shareholders in the event of an unsolicited offer or initiative to acquire Frontier which the Board does not believe is fair to shareholders. The rights become exercisable under certain circumstances to purchase Frontier common stock at one-half market value.

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12. New Accounting Pronouncements

The Company adopted the provisions of FAS 130, "Reporting Comprehensive Income" as of January 1, 1998. This statement establishes standards for reporting and displaying of comprehensive income and its components. This statement requires reporting, by major components and as a single total, the change in net assets during the period from nonshareholder sources. Adoption of this standard did not materially impact the Company's consolidated financial position, results of operations or cash flows.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" ("SOP 98-5") which requires that start-up costs be expensed as incurred. The Company adopted the provisions of SOP 98-5 in 1998. Accordingly, \$1.8 million, net of applicable income taxes of \$.8 million of unamortized start-up costs at December 31, 1997, have been expensed in the accompanying Consolidated Statements of Income and is reported as a cumulative effect of a change in accounting principle. These start-up costs are primarily related to product development costs associated with new business ventures.

On June 17, 1998, the Financial Accounting Standards Board issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities" effective for fiscal years beginning after June 15, 1999. This statement standardizes the accounting for derivatives and hedging activities and requires that all derivatives be recognized in the statement of financial position as either assets or liabilities at fair value. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are to be reported in earnings. Adoption of this standard is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

Effective January 1, 1996, the Company adopted FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". FAS 121 requires that certain long-lived assets and identifiable intangibles be written down to fair value whenever an impairment review indicates that the carrying value cannot be recovered on an undiscounted cash flow basis. The statement also requires that certain long-lived assets and identifiable intangibles to be disposed of be reported at fair value less selling costs. The Company's adoption of this standard resulted in a non-cash charge of \$8.0 million (net of a tax benefit of \$4.4 million) and is reported as a cumulative effect of a change in accounting principle. The charge represents the cumulative adjustment required by FAS 121 to remeasure the carrying amount of certain assets held for disposal as of January 1, 1996. These assets held for disposal consist principally of telephone switching equipment in the Company's Local Communications Services segment as a result of management's commitment, in late 1995, to a central office switch consolidation project primarily at Frontier Telephone of Rochester and Frontier Communications of New York subsidiaries.

13. Major Customer

The Company's revenues include the impact of a major carrier customer whose revenues comprised approximately 3%, 4%, and 15% of consolidated revenues in 1998, 1997 and 1996, respectively.

14. Commitments, Contingencies And Other

Operating Environment--The Company has evolved from being a provider of local and long distance services in certain areas of the country to being a nationwide provider of integrated communications services. As a result, the Company has formidable competitors of greater size and expects that, over time and due to the lifting of regulatory restrictions, there will be more entrants into the

Legal Matters--The Company and a number of its subsidiaries in the normal course of business are party to a number of judicial, regulatory and administrative proceedings. The Company's management does not believe that any material liability will be imposed as a result of any of these matters.

Leases and License Agreements--The Company leases buildings, land, office space, fiber optic network, computer hardware and other equipment, and has license agreements for rights-of-way for the construction and operation of a fiber optic communications system.

Total rental expense amounted to \$133.9 million in 1998, \$156.5 million in 1997, and \$164.7 million in 1996.

Minimum annual rental commitments under non-cancelable operating leases and license agreements in effect on December 31, 1998 were as follows:

<TABLE>
<CAPTION>
In thousands of dollars

Years	Buildings	Equipment	License Agreements
<S>	<C>	<C>	<C>
1999	\$ 18,417	\$2,330	\$ 54,526
2000	16,893	1,835	29,381
2001	15,666	280	16,928
2002	14,882	128	5,047
2003	14,118	--	1,647
2004 and thereafter	48,450	--	--
Total	\$128,426	\$4,573	\$107,529

</TABLE>

Other Matters--In connection with the Company's capital program, certain commitments have been made for the purchase of material and equipment. Total capital expenditures for 1999 are currently projected to be consistent with 1998. In October 1996, construction began on the Optronics network. At December 31, 1998 and 1997, the Company has recorded \$114.0 million and \$238.2 million, respectively, of deposits for the Optronics network and other projects which are included in the "Deferred and other assets" caption in the Consolidated Balance Sheets.

Under the Company's Open Market Plan, dividend payments to the parent company are temporarily prohibited until Frontier Telephone of Rochester, Inc. ("FTR") receives clearance from the New York State Public Service Commission that service requirements are being met. Cash restricted for dividend payments by FTR, as of December 31, 1998, was approximately \$53.0 million.

Change in dividend policy--On January 25, 1999, the Company's Board of Directors approved a dividend restructuring plan which reduces the annual common stock dividend from \$0.89 to \$0.20 per share annually. This change in dividend policy will be effective with the payment of the common stock cash dividend currently expected to be declared in March, 1999 and paid on May 1, 1999 to shareholders of record as of April 15, 1999. The reduction has no effect on the common stock dividend payable February 1, 1999 to shareholders of record on January 15, 1999, nor on any outstanding issues of the Company's preferred stock.

15. Business Segment Information

Effective December 31, 1998, the Company has adopted the provisions of FAS 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes annual and interim reporting standards for an enterprise's business segments and related disclosures about its products, services, geographic areas and major customers. Adoption of this statement had no impact on the Company's consolidated financial position, results of operations or cash flows. Comparative information for earlier years has been restated.

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The Company reports its operating results in three segments: Integrated Services, Local Communications Services and Corporate Operations and Other. The Company's majority interest in certain wireless properties are consolidated under Corporate Operations and Other. The change in the definition of the Company's segments has been made to better reflect the changing scope of the businesses in which Frontier operates.

Revenue and sales, operating income, depreciation, construction and identifiable assets by business segment are set forth in the Business Segment Information on page 29.

16. Quarterly Data (Unaudited)

<TABLE>
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1998 In thousands of dollars, except per share data	Quarter				Full Year
	1st	2nd	3rd	4th	
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$631,998	\$648,316	\$658,208	\$655,036	\$2,593,558
Operating Income	\$ 68,014 (1)	\$ 80,835	\$ 81,155	\$ 87,392	\$ 317,396
Income before taxes and cumulative effect of changes in accounting principles	\$ 59,131 (1)	\$ 89,199	\$ 75,638	\$ 83,135	\$ 307,103
Consolidated Net Income	\$ 33,914 (1)	\$ 45,908	\$ 45,757	\$ 50,209	\$ 175,788
Earnings Per Share:					
Basic	\$.20	\$.27	\$.27	\$.29	\$ 1.02 (2)
Diluted	\$.20	\$.26	\$.26	\$.29	\$ 1.01
Market Price:					
High	\$ 33.44	\$ 33.00	\$ 36.75	\$ 34.13	
Low	\$ 24.44	\$ 28.31	\$ 24.13	\$ 24.81	

<CAPTION>

1997 In thousands of dollars, except per share data	Quarter				Full Year
	1st	2nd	3rd	4th	
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$577,576	\$590,116	\$606,521	\$600,596	\$2,374,809
Operating (Loss) Income	\$ (28,566) (3)	\$ 74,019	\$ 64,871	\$ (24,166) (4)	\$ 86,158
Income (loss) before taxes and cumulative effect of changes in accounting principles	\$ (18,108) (3)	\$ 66,335	\$ 58,162	\$ (30,400) (4)	\$ 75,989
Consolidated Net (Loss) Income	\$ (15,902) (3)	\$ 39,334	\$ 32,451	\$ (24,082) (4)	\$ 31,801
(Loss) Earnings Per Share:					
Basic	\$ (.10)	\$.23	\$.19	\$ (.14)	\$.18
Diluted	\$ (.10) (5)	\$.23	\$.19	\$ (.14) (5)	\$.18 (6)
Market Price:					
High	\$ 23.25	\$ 20.50	\$ 24.19	\$ 25.00	
Low	\$ 17.75	\$ 15.38	\$ 19.00	\$ 20.00	

</TABLE>

- (1) Includes a pre-tax charge of \$6.5 million comprised of investment banker, legal fees and other direct costs associated with the acquisition of GlobalCenter.
- (2) As a result of rounding, the total of the four quarters' earnings does not equal the earnings per share for the year.
- (3) Includes a pre-tax charge of \$96.6 million primarily related to the write-off of certain leased network costs no longer necessary to support long distance traffic volumes.
- (4) Includes a pre-tax charge of \$86.8 million primarily related to the divestiture of certain product lines and businesses.
- (5) Due to the net loss incurred, the earnings per share calculation excludes common stock equivalents.
- (6) Convertible debentures are anti-dilutive in 1997.

EXHIBIT 21

SUBSIDIARIES OF FRONTIER CORPORATION
AS OF MARCH 1, 1999

<TABLE>
<CAPTION>

NAME OF SUBSIDIARY	STATE OF INCORPORATION	BUSINESS NAMES USED
<S>	<C>	<C>
ALC Communications Corporation (A subsidiary of Frontier Corporation)	DE	ALC Communications Corp.; ALC
Ameritel Management, Inc. (A subsidiary of Frontier Communications of the West, Inc.)	Canada (British Columbia)	Ameritel Management, Inc.
Budget Call Long Distance, Inc. (A subsidiary of Frontier Communications International Inc.)	DE	Budget Call Long Distance, Inc.; Budget Call
Business Telemanagement, Inc. (A subsidiary of Ameritel Management, Inc.)	CA	Business Telemanagement, Inc.
ConferTech Systems Inc. (A subsidiary of Frontier Communications Services Inc.)	CO	ConferTech Systems; CSI
DePue Communications, Inc. (A subsidiary of Frontier Communications of DePue, Inc.)	IL	DePue Communications, Inc.
Fairmount Cellular Inc. (A subsidiary of Frontier Communications of Fairmount, Inc.)	GA	Fairmount Cellular Inc.
Frontel Communications Limited (A subsidiary of ALC Communications Corporation)	England	Frontel Communications Ltd.; Frontel
Frontier Advanced Services Technologies Inc. (A subsidiary of ALC Communications Corporation)	IA	FAST Inc., LinkUSA Corporation
Frontier Billing Corp. (A subsidiary of Frontier Communications Services Inc.)	MI	Frontier Billing

</TABLE>

<TABLE>
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NAME OF SUBSIDIARY	STATE OF INCORPORATION	BUSINESS NAMES USED
<S>	<C>	<C>
Frontier Cable of Indiana, Inc. (A subsidiary of Frontier Communications of Thorntown, Inc.)	IN	Frontier Cable of Indiana, TDCI Ltd.
Frontier Cable of Mississippi, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	MS	Frontier Cable of Mississippi; Mid-South Cablevision Company, Inc.
Frontier Cable of Wisconsin, Inc. (A subsidiary of Frontier Communications - St. Croix, Inc.)	WI	Frontier Cable of Wisconsin; New Richmond Cable Company, Inc.

Frontier Cellular Holding Inc. (A subsidiary of Frontier Corporation)	DE	Frontier Cellular Holding Inc.; FCHI
Frontier Cellular of Alabama, Inc. (A subsidiary of Frontier Communications of the South, Inc.)	AL	Frontier Cellular
Frontier Communications International Inc. (A subsidiary of ALC Communications Corporation)	DE	Frontier Communications International Inc.; FCI; RCI Long Distance, Inc.
Frontier Communications of Alabama, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	AL	Frontier Communications of Alabama, Inc.; Frontier Communications
Frontier Communications of AuSable Valley, Inc. (A subsidiary of Frontier Corporation)	NY	Frontier Communications of AuSable Valley, Inc.; Frontier Communications
Frontier Communications of Breezewood, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	PA	Frontier Communications of Breezewood, Inc.; Frontier Communications
Frontier Communications of Canton, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	PA	Frontier Communications of Canton, Inc.; Frontier Communications
Frontier Communications of DePue, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IL	Frontier Communications of DePue, Inc.; Frontier Communications

</TABLE>

<TABLE>
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NAME OF SUBSIDIARY	STATE OF INCORPORATION	BUSINESS NAMES USED
<S>	<C>	<C>
Frontier Communications of Fairmount, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	GA	Frontier Communications of Fairmount, Inc.; Frontier Communications
Frontier Communications of Georgia, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	GA	Frontier Communications of Georgia, Inc.; Frontier Communications
Frontier Communications of Illinois, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IL	Frontier Communications of Illinois, Inc.; Frontier Communications
Frontier Communications of Indiana, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IN	Frontier Communications of Indiana, Inc.; Frontier Communications
Frontier Communications of Iowa, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IA	Frontier Communications of Iowa, Inc.; Frontier Communications
Frontier Communications of Lakeside, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IL	Frontier Communications of Lakeside, Inc.; Frontier Communications
Frontier Communications of	PA	Frontier Communications of

Lakewood, Inc.
 (A subsidiary of Frontier
 Subsidiary Telco Inc.)

Lakewood, Inc.;
 Frontier Communications

Frontier Communications of
 Lamar County, Inc.
 (A subsidiary of Frontier
 Subsidiary Telco Inc.)

AL

Frontier Communications of
 Lamar County, Inc.;
 Frontier Communications

Frontier Communications of
 Michigan, Inc.
 (A subsidiary of Frontier
 Subsidiary Telco Inc.)

MI

Frontier Communications of
 Michigan, Inc.;
 Frontier Communications

Frontier Communications-Midland, Inc.
 (A subsidiary of Frontier
 Subsidiary Telco Inc.)

IL

Frontier Communications
 -Midland, Inc.;
 Frontier Communications

</TABLE>

<TABLE>
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NAME OF SUBSIDIARY	STATE OF INCORPORATION	BUSINESS NAMES USED
<S>	<C>	<C>
Frontier Communications of Minnesota, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	MN	Frontier Communications of Minnesota, Inc.; Frontier Communications
Frontier Communications of Mississippi, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	MS	Frontier Communications of Mississippi, Inc.; Frontier Communications
Frontier Communications of Mondovi, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	WI	Frontier Communications of Mondovi, Inc.; Frontier Communications
Frontier Communications of Mt. Pulaski, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IL	Frontier Communications of Mt. Pulaski, Inc.; Frontier Communications
Frontier Communications of New York, Inc. (A subsidiary of Frontier Corporation)	NY	Frontier Communications of New York, Inc.; Frontier Communications
Frontier Communications of Orion, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IL	Frontier Communications of Orion, Inc.; Frontier Communications
Frontier Communications of Oswayo River, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	PA	Frontier Communications of Oswayo River, Inc.; Frontier Communications
Frontier Communications of Pennsylvania, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	PA	Frontier Communications of Pennsylvania, Inc.; Frontier Communications
Frontier Communications-Prairie, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IL	Frontier Communications-Prairie, Inc.; Frontier Communications
Frontier Communications of Rochester, Inc. (A subsidiary of Frontier Corporation)	DE	Frontier Communications of Rochester, Inc.; FCR

</TABLE>

<TABLE>
<CAPTION>

NAME OF SUBSIDIARY	STATE OF INCORPORATION	BUSINESS NAMES USED
<S>	<C>	<C>
Frontier Communications-Schuyler, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IL	Frontier Communications -Schuyler, Inc.; Frontier Communications
Frontier Communications of Seneca-Gorham, Inc. (A subsidiary of Frontier Corporation)	NY	Frontier Communications of Seneca-Gorham, Inc.; Frontier Communications
Frontier Communications of the South, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	AL	Frontier Communications of the South, Inc.; Frontier Communications
Frontier Communications - St. Croix, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	WI	Frontier Communications - St. Croix, Inc.; Frontier Communications
Frontier Communications of Sylvan Lake, Inc. (A subsidiary of Frontier Corporation)	NY	Frontier Communications of Sylvan Lake, Inc.; Frontier Communications
Frontier Communications of Thorntown, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	IN	Frontier Communications of Thorntown, Inc.; Frontier Communications
Frontier Communications of Viroqua, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	WI	Frontier Communications of Viroqua, Inc.; Frontier Communications
Frontier Communications of the West, Inc. (A subsidiary of ALC Communications Corporation)	CA	Frontier Communications of the West, Inc.; West Coast Telecommunications, Inc.; WCT
Frontier Communications of Wisconsin, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	WI	Frontier Communications of Wisconsin, Inc.; Frontier Communications
Frontier Communications Services Inc. (A subsidiary of ALC Corporation)	MI	Frontier Communications Services Inc.; Allnet Communications Communication Services

<TABLE>
<CAPTION>

NAME OF SUBSIDIARY	STATE OF INCORPORATION	BUSINESS NAMES USED
<S>	<C>	<C>
Frontier ConferTech Canada Inc. (A subsidiary of Frontier Communications Services Inc.)	Canada	Frontier ConferTech Canada
Frontier GlobalCenter Inc. (A subsidiary of Frontier Corporation)	DE	Frontier GlobalCenter Inc.; GlobalCenter Inc.

Frontier GlobalCenter Pty Ltd. (A subsidiary of Frontier GlobalCenter Inc.)	Australia	Frontier GlobalCenter
Frontier Information Technologies Inc. (A subsidiary of Frontier Corporation)	DE	Frontier Information Technologies Inc.; FIT
Frontier InfoServices Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	DE	Frontier InfoServices Inc.; Visions Publishing
Frontier International Management Corp. (A subsidiary of Frontier Corporation)	DE	Frontier International Management
Frontier Internet Ventures Inc. (A subsidiary of Frontier Corporation)	DE	Frontier Ventures
Frontier Local Services Inc. (A subsidiary of ALC Communications Corporation)	MI	Frontier Local Services Inc.; Allnet Local Services
Frontier Long Distance of America, Inc. (A subsidiary of Frontier Subsidiary Telco Inc.)	DE	Frontier Long Distance of America Inc.
Frontier Network Systems Corp. (A subsidiary of ALC Communications Corporation)	NY	Frontier Network Systems; RG Data; Rotelcom
Frontier Subsidiary Telco Inc. (A subsidiary of Frontier Corporation)	DE	Frontier Subsidiary Telco Inc.; FSTI
Frontier Telemanagement Inc. (A subsidiary of ALC Communications Corporation)	WI	Frontier Telemanagement

</TABLE>

<TABLE>
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NAME OF SUBSIDIARY	STATE OF INCORPORATION	BUSINESS NAMES USED
<S>	<C>	<C>
Frontier Telephone of Rochester, Inc. (A subsidiary of Frontier Corporation)	NY	Frontier Telephone, Rochester Telephone Corp.; FTR
Frontier VTC Inc. (A subsidiary of Frontier Communications Services Inc.)	CO	Frontier Link VTC; Frontier Videoconferencing
O. T. Cellular Telephone Company (A subsidiary of Frontier Communications of Orion, Inc.)	IL	O. T. Cellular Telephone Company
RCI Long Distance Canada Ltd. (A subsidiary of ALC Communications Corporation)	Canada (Ontario, Quebec)	RCI Long Distance Canada Ltd.
RTMC Holding, Inc. (A subsidiary of Frontier Cellular Holding Inc.)	DE	RTMC Holding, Inc.
Schuyler Cellular, Inc. (A subsidiary of Frontier Communications - Schuyler, Inc.)	IL	Schuyler Cellular, Inc.
UCN Subsidiary One Inc. (A subsidiary of Upstate Cellular Partnership (GP))	DE	

</TABLE>

EXHIBIT 23

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Forms S-3 (File Nos. 33-64307, 333-72333, 333-57137 and 333-23229), Form S-4 (File No. 33-91250) and in the Registration Statements on Forms S-8 (File Nos. 33-67324, 33-51331, 33-51885, 33-52025, 33-67430, 33-54511, 33-67432, 33-54519, 33-59579, 33-61855, 333-04803, 333-48755 and 333-49657 of Frontier Corporation of our report dated January 25, 1999, appearing on page 28 of the 1998 Annual Report to Shareholders which is incorporated by reference in the Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 30 of the Form 10-K.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Rochester, New York
March 25, 1999

POWER OF ATTORNEY

I, the undersigned, hereby constitute and appoint JOSEPHINE S. TRUBEK and/or ROLLA P. HUFF as my true and lawful agent and attorney-in-fact to act with full power and authority and in my name, place and stead as I, myself, could act for the sole purpose of executing the Form 10-K of Frontier Corporation for the year ended December 31, 1998, pursuant to Instruction D(2)(a) of the Form 10-K and in accordance with Regulation S-K Item 601(b)(24) of the Securities Act of 1933 and the Securities Exchange Act of 1934, and with full and unqualified authority to delegate such power to any person or persons as my attorney-in-fact shall select.

IN WITNESS WHEREOF, this instrument has been signed and delivered by the undersigned as of March 22, 1999.

/s/ Patricia C. Barron

Patricia C. Barron

Raul E. Cesan

/s/ Brenda E. Edgerton

Brenda E. Edgerton

/s/ Jairo A. Estrada

Jairo A. Estrada

/s/ Michael E. Faherty

Michael E. Faherty

Alan C. Hasselwander

Eric Hippeau

/s/ Robert J. Holland, Jr.

Robert J. Holland, Jr.

/s/ Douglas H. McCorkindale

Douglas H. McCorkindale

James F. McDonald

/s/ Leo J. Thomas

Leo J. Thomas

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FRONTIER CORPORATION'S FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<MULTIPLIER> 1,000

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<CHANGES>	(1,755)
<NET-INCOME>	175,788
<EPS-PRIMARY>	1.02

<EPS-DILUTED>

1.01

</TABLE>

[LOGO OF FRONTIER COMMUNICATIONS]

Frontier Corporation

Proxy Statement

Frontier Center

180 South Clinton Avenue

Rochester, New York 14646-0700

Annual Meeting

Notice of Annual Meeting
of Common Shareholders

Please Join Us In Celebrating
Frontier Corporation's 100 Years of Doing Business

Date:
Thursday, April 29, 1999

Time:
10:00 a.m., Pacific Time

Place:
Grand Ballroom
Hotel Nikko San Francisco
222 Mason Street
San Francisco, California 94102

Record Date:
March 1, 1999

Meeting Agenda:
1. Election of Directors
2. Ratification of Appointment of Auditors
3. Any other matters that properly come before the
meeting or any adjournments of the meeting.

By-Law Amendments:
Effective December 15, 1998, the Board of Directors
amended Article II, Section 2, of the By-Laws to set
the number of Directors constituting the entire Board
at twelve.

Sign Language Interpreters:
The meeting will be sign language interpreted for the
hearing impaired.

Electronic Copies of Proxy Statement and
Annual Report:
A copy of this proxy statement and the Company's Annual Report are also
available on the Company's web site which can be reached at:
<http://www.frontiercorp.com>

Admission to the Meeting:
An admission card will be required to gain entry to the meeting. If you are
planning to attend the Annual Meeting, please check the appropriate box on the
proxy card. We will then send your admission card to you. A map identifying the
location of the meeting place appears on the back cover of the proxy statement.

Vote:
Your vote is very important. Please either vote electronically or sign and date
the enclosed proxy card and return it promptly in the enclosed return envelope,
whether or not you expect to attend the meeting. If you do not specify your
choices when you vote, it will be understood that you wish to have your shares
voted in accordance with the Board of Directors' recommendations. You may revoke
your proxy and vote in person if you decide to attend the meeting.

By Action of the Board of Directors,

/s/ Josephine S. Trubek

Josephine S. Trubek
Corporate Secretary
Rochester, New York

March 12, 1999

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Proxy Statement

1999 Annual Meeting of Common Shareholders of Frontier Corporation

Proxy Solicitation

When and where will the Annual Meeting be held?

The Annual Meeting will be held on April 29, 1999, at 10:00 a.m., Pacific Time in the Grand Ballroom of the Hotel Nikko San Francisco, 222 Mason Street, San Francisco, California 94102, or at any later time, if adjourned. The purposes of the Annual Meeting are stated in the attached Notice of Annual Meeting of Common Shareholders.

Who is soliciting proxies and for what purpose?

The Board of Directors of Frontier Corporation, a New York corporation, is soliciting proxies for use at the annual meeting of holders of the Company's \$1.00 par value common stock. This proxy statement will refer to Frontier Corporation as the "Company" and the annual meeting as the "Annual Meeting". We are sending you this proxy statement and the enclosed proxy card and alternative electronic voting instructions in connection with the Board's solicitation so

that you may vote your shares.

The Company will pay the cost of proxy solicitation. In addition to the solicitation of proxies by mail, some officers and employees of the Company, without additional compensation, may contact you personally or by telephone, Internet or electronic mail, facsimile, telegraph or cable, to solicit your proxy. The Company will also request brokerage houses, nominees, custodians and fiduciaries to forward soliciting materials to the beneficial owners of stock held of record and will reimburse such persons for forwarding such materials. In addition, the Company has retained Innisfree M&A Incorporated, New York, New York, to aid in the solicitation of proxies at a fee of \$6,000 plus reimbursement for out-of-pocket expenses incurred by that firm on behalf of the Company.

The principal executive offices of the Company are located at 180 South Clinton Avenue, Rochester, New York 14646. The main telephone number is (716) 777-1000.

Voting at the Annual Meeting

Is my vote important?

Whether or not you plan to attend our Annual Meeting, please take the time to vote your shares as soon as possible. Your prompt voting by telephone, electronically or by mail may save the Company the expense of a second mailing. Each proxy which is properly completed will be voted at the Annual Meeting. If you return a proxy by mail, or vote by telephone or electronically over the Internet and do not specify your vote, your shares will be voted as recommended by the Board of Directors. Specifically, if your proxy does not specify a choice, your shares will be voted for the election of all the Directors nominated in the proxy and in favor of ratification of the election of PricewaterhouseCoopers LLP as public accountant.

What are the methods of voting?

All shareholders may vote by mail. SHAREHOLDERS OF RECORD CAN ALSO VOTE BY TELEPHONE OR ELECTRONICALLY OVER THE INTERNET. Shareholders who hold their shares through a bank or broker can vote by telephone or electronically over the Internet if that option is offered by the bank or broker.

- . Voting by mail. Shareholders may sign, date and mail their proxies in the postage-paid envelope provided. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be voted as recommended by the Board of Directors.

- . Voting by telephone or Internet. Shareholders of record may vote by using the toll-free number listed on the proxy card or electronically over the Internet. Telephone and/or Internet voting is also available to shareholders who hold their shares through a Frontier Corporation benefit plan. The telephone and Internet voting procedures are designed to verify shareholders through use of a Control Number that is provided on each proxy card. Both procedures allow you to vote your shares and to confirm that your shares have been properly recorded. If you do not indicate how you want to vote, your proxy will be voted as recommended by the Board of Directors. Please see your proxy card for specific instructions.

This Proxy Statement and Form of Proxy are being first sent to Shareholders on March 12, 1999.

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How do I revoke my proxy?

Whether you vote by mail, by telephone, or electronically over the Internet, you may later revoke your proxy by:

- . sending a written statement to that effect to the Corporate Secretary of the Company;
- . submitting a properly signed proxy at a later date;
- . voting by telephone at a later time;
- . voting by Internet at a later time; or
- . voting in person at the Annual Meeting.

What is the record date, vote required and method of counting votes?

The close of business on March 1, 1999 is the Record Date for determination of the shareholders entitled to notice of, and to vote at, the Annual Meeting. On that date there were 172,277,729 shares of the Company's \$1.00 par value common stock outstanding and entitled to vote at the meeting. You are entitled to cast one vote for each share held as of the Record Date on matters properly brought before the Annual Meeting. Both the hard-copy proxy card and the electronic voting proxy card contain spaces for you to indicate if you wish to abstain on one or more of the proposals or to withhold authority to vote for one or more nominees for Director. The telephone voting prompts also provide a mechanism for you to abstain or withhold authority to vote. The following is an explanation of

the vote required and the method of counting votes for each of the items to be voted on at the Annual Meeting.

ITEM 1--Election of Directors. Directors are elected by a plurality of the votes cast and the twelve nominees receiving the highest number of votes will be elected. Shares represented by your proxy will be voted in accordance with the directions you specify on the proxy card or that you specify electronically either by telephone or the Internet. Votes withheld in connection with the election of one or more of the nominees for Director will not be counted as votes cast in connection with that nominee's election.

ITEM 2--Ratification of public accountant. The public accountant is ratified by a majority of the votes cast, so the affirmative vote of a majority of shares voted in person or by proxy is required for approval of this item. Abstentions are not counted in determining the votes cast in connection with the ratification of the public accountant.

The New York Stock Exchange allows brokerage firms holding shares for the benefit of their clients to vote in their discretion on behalf of their clients with respect to "discretionary items" if the clients have not furnished voting instructions within ten days of the shareholder meeting. The election of Directors and the ratification of the public accountant are discretionary items with respect to which brokerage firms may vote. If your broker does not vote your shares, those broker "non-votes" will not be considered as votes cast.

Is there any other business for the meeting?

The Board knows of no other matters to be presented for shareholder action at the meeting. If other matters are properly brought before the meeting, the persons named in the accompanying proxy card intend to vote the shares represented by them in accordance with their best judgment.

PROPOSAL 1--ELECTION OF DIRECTORS

Your Board of Directors recommends a vote "FOR" all nominees.

Nominees for Director

The Board of Directors nominates the twelve persons named on pages 3 and 4 for election to the Board of Directors. All of these people are currently Directors of the Company, and their terms of office all expire on the date of the Annual Meeting. If elected, each will serve until the Annual Meeting of Shareholders to be held in 2000 or until such time as his or her respective successor is elected. The Board believes that all of the persons it has nominated will be available and willing to serve as Directors. The accompanying proxy will be voted for the election of these nominees, unless authority to vote for one or more nominees is withheld. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of any substitute nominee designated by the Board or its Executive Committee, or the Board may fill the vacancy at a later date after selecting a person it believes is appropriate.

The principal occupation and business experience of each nominee for election at the Annual Meeting appears next to that person's photograph.

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[PHOTO]

Patricia C. Barron, 56, is Executive in Residence and Senior Fellow of Stern School of Business, New York University, one of the nation's leading academic institutions. She has held this position since October 1998. From May 1997 to June 1998 she was Corporate Vice President, Business Operations Support, Xerox Corporation, a manufacturer of office systems and equipment, and held this position since May 1997. From February 1994 until May 1997, she was President, Xerox Engineering Systems. She is a Director of Aramark Corporation, Quaker Chemical Corporation, Reynolds Metals Corporation, and TeleFlex Corporation. She has been a Director of the Company since 1990.

[PHOTO]

Raul E. Cesan, 51, is President and Chief Operating Officer, Schering-Plough Corporation, a worldwide researcher, manufacturer and marketer of pharmaceutical and health care products and has held this position since November 1998. From September 1994 to November 1998 he was President, Schering-Plough Pharmaceuticals and Executive Vice President, Schering-Plough Corporation. From September 1992 through September 1994, he was President, Schering Laboratories--U.S. Pharmaceutical Operations. He has been a Director of the Company since 1995.

[PHOTO]

Joseph P. Clayton, 49, is Chief Executive Officer and President of the Company and has held this position since August 1997. He also served as the Company's President and Chief Operating Officer from June 1997 to August 1997. From March 1992 until December 1996 he was Executive Vice President, Marketing and Sales--Americas and Asia, Thomson Consumer Electronics, a worldwide leader in the consumer electronics industry. He has been a Director of the Company since 1997.

[PHOTO]

Brenda E. Edgerton, 49, is Senior Vice President and Chief Financial Officer, C&S Wholesale Grocers, Inc., the United States' third largest wholesale distributor of food to retail markets. She has held this position since November 1998. From May 1996 to October 1998 she served as Vice President--Business Development, Campbell Soup Company, a manufacturer of prepared convenience foods. From May 1994 to May 1996, she held the position Vice President, Finance --U.S. Soup, and from August 1989 through April 1994, she was Vice President and Treasurer, Campbell Soup Company. She has been a Director of the Company since 1993.

[PHOTO]

Jairo A. Estrada, 51, is President and Chief Executive Officer of EMERALD Enterprises, a private investment firm. He has served in this capacity since June 1996. Until December 1995, he was Chairman of the Board and Chief Executive Officer of Garden Way Incorporated, a company which manufactures outdoor power equipment, as well as Chairman of the Board of Stairmaster, which manufactures exercise equipment. He is Chairman of the Board of Mercer Management, Inc., and a member of the Board of Flow Management Technologies, Inc. Mr. Estrada has been a Director of the Company since 1989.

[PHOTO]

Michael E. Faherty, 63, is an active investor in publicly traded securities and in various venture capital and other private businesses. He is also the principal of MICO, Inc., a general business consulting and contract executive firm. In connection with this business, he has served as an executive for various companies. Since 1994, he has served as Chairman of ECCS, Inc., a provider of open systems-based networked computing solutions which incorporate ECCS's mass storage enhancement products. From December 1994 until June 1996, he was also ECCS's Chief Executive Officer. From January 1992 to January 1994, he was President and Chief Executive Officer of Shared Financial Systems, Inc. He has also served for varying periods of time as either Chief Executive or Chief Operating Officer of Intec Corp., Information Magnetics, Cable &

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Wireless North America, Digital Sound Corporation, and BancTec, Inc. He is a Director of BancTec, Inc., and of ECCS, Inc. Mr. Faherty has been a Director of the Company since 1995.

[PHOTO]

Alan C. Hasselwander, 65, is Past Chairman of the Board of Rochester Telephone Corporation (now Frontier Corporation). From February 1992 to April 1992, he was Chairman of the Company. From July 1984 to February 1992, he was President and Chief Executive Officer of the Company. He has been a Director of the Company since 1984.

[PHOTO]

Eric Hippeau, 47, is Chairman and Chief Executive Officer of Ziff-Davis Inc., a subsidiary of Softbank, Inc. Ziff-Davis Inc., is a leading integrated media and marketing company focused on computing and Internet-related technology. Mr. Hippeau has held this position since December 1993. Prior to that he held other senior executive positions within Ziff-Davis. He is a Director of Ziff-Davis Inc., Yahoo!, Inc., GeoCities, Inc., Herring Communications, Inc., and Softbank, Inc. He has been a Director of the Company since 1998.

[PHOTO]

Robert Holland, Jr., 58, is the Chief Executive Officer of Workplace Integrators, an office furniture distributor, and has held that position since June 1997. From February 1995 until October 1996, he was Chief Executive Officer of Ben and Jerry's Homemade, Inc., a manufacturer and marketer of premium ice cream. From 1991 to 1995, he was Chairman and Chief Executive Officer of Rokher-J, Inc., a business consulting firm. He is also a Director of The MONY Group, Olin Corporation, Tricon Global Restaurants, Inc., Trumark Inc., A.C. Nielsen Co., Lexmark International, Inc., and Lexmark International Group, Inc. Mr. Holland has been a Director of the Company since 1995.

[PHOTO]

Douglas H. McCorkindale, 59, is Vice Chairman and President of Gannett Co., Inc., a nationwide diversified communications company and has held that position since September 1997. Prior to that he held the position of Vice Chairman and Chief Financial and Administrative Officer. He is a Director of Gannett Co., Inc., Continental Airlines, and a director or trustee of a number of investment companies in the family of Prudential Mutual Funds. He has been a Director of the Company since 1980.

[PHOTO]

James F. McDonald, 59, is President and Chief Executive Officer of Scientific-Atlanta, Inc., a leading supplier of broadband communications systems, satellite-based video, voice and data communications networks, and world-wide customer service and support. Mr. McDonald has held that position since July 1993. He is a Director of Scientific-Atlanta, Inc., Burlington Resources, Inc., and American Business Products, Inc. He has been a Director of the Company since 1998.

[PHOTO]

Dr. Leo J. Thomas, 62, retired in May 1996, from Eastman Kodak Company, a manufacturer of imaging products. From September 1994 to May 1996, he held the position of Executive Vice President, and from September 1991 to September 1994, he was Group Vice President, Eastman Kodak Company. He is a Director of Unigraphics, Inc. He has been a Director of the Company since 1984.

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INFORMATION ABOUT THE BOARD OF DIRECTORS

Board of Directors

The Board of Directors of the Company currently consists of twelve persons and held seven meetings during 1998. All of the Directors attended at least 75% of the total meetings of the Board and its committees which they were eligible to attend.

Committees of the Board of Directors

The Board of Directors conducts its business through meetings of the Board and through the activities of its committees. The standing committees of the Board are the Audit Committee, the Committee on Management, the Committee on Directors and the Executive Committee. Committee membership as of the Record Date is listed below.

Audit Committee

The members of the Audit Committee are:

- . Jairo A. Estrada, Chair
- . Patricia C. Barron
- . Robert Holland, Jr.

This committee reviews the scope of audit activities and the financial reports of the Company and reviews with management significant and material matters which may result in either potential liability to the Company or significant exposure to the Company. The Committee also makes reports and recommendations with respect to audit activities, findings, and reports of the independent public accountant and the internal audit staff of the Company. The Audit Committee held five meetings in 1998.

Committee on Management

The members of the Committee on Management are:

- . Dr. Leo J. Thomas, Chair
- . Raul E. Cesan
- . James F. McDonald

This committee is responsible for determining the compensation, benefits and perquisites of all senior executive officers of the Company, with the exception of the Chief Executive Officer, and for recommending the compensation, benefits and perquisites of the Chief Executive Officer to the full Board after an evaluation of his performance. This committee also develops and administers executive compensation plans and reviews succession planning for the Company and other significant human resources issues. The Committee on Management held eight meetings in 1998.

Committee on Directors

The Committee on Directors serves as the nominating committee and is responsible for corporate governance issues. The Committee consists of:

- . Michael E. Faherty, Chair
- . Brenda E. Edgerton
- . Eric Hippeau
- . Douglas H. McCorkindale

This committee reviews all matters relating to the selection, qualification, evaluation, and compensation of members of the Board of Directors and all nominees to the Board. The Committee on Directors held seven meetings in 1998.

The Committee on Directors will consider nominations by shareholders. Such suggestions should include sufficient biographical information so that the Committee can appropriately assess a nominee's qualifications. This information about a potential nominee would include, at a minimum:

- . name and address
- . business and other experience relevant to serving as a member of Frontier's Board of Directors, and
- . a listing of any other Boards on which the nominee may be a member.

All submissions should be sent by a letter addressed to the Corporate Secretary, Frontier Corporation, 180 South Clinton Avenue, Rochester, New York 14646-0700. Suggestions in connection with the 2000 Annual Meeting of Common Shareholders must be received by October 29, 1999 in order to receive consideration.

Executive Committee

The members of the Executive Committee are:

- . Douglas H. McCorkindale, Chair
- . Joseph P. Clayton
- . Jairo A. Estrada
- . Michael E. Faherty
- . Alan C. Hasselwander
- . Dr. Leo J. Thomas

The Chair of the Executive Committee serves as the lead outside director. The Executive Committee possesses all of the powers of the Board of Directors except those which, by law or the Company's By-Laws, cannot be delegated to it. The Executive Committee met three times in 1998.

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Compensation of Directors

Directors who are not Company employees are paid an annual retainer and meeting fees as follows:

- . The annual retainer consists of 1,200 shares of Frontier Corporation common stock. This amount is prorated if a Director begins service on other than the date of the Annual Meeting.
- . The meeting fee is \$1,500 for each Board and/or committee meeting attended.
- . The annual retainer for each committee chair consists of an additional 300 shares of Frontier Corporation common stock.
- . New Directors also receive an additional one-time grant of 1,000 shares of Frontier Corporation common stock which they must hold during their tenure on the Board.
- . The Lead Director receives additional compensation equal to the cash value of 1,200 shares of the Company's common stock. Mr. McCorkindale served as Lead Director in 1998. It is currently expected that he will continue to serve in this capacity in 1999.
- . Directors may elect to defer payment of their fees to future years.
- . Directors annually receive an option to purchase 4,000 shares of the Company's common stock pursuant to the Company's Directors' Stock Incentive Plan. This amount is prorated if a Director begins service on other than the date of the Annual Meeting. These options expire ten years after issuance, and the exercise price is the closing price of the stock on the day the option was granted.

Mr. Hippeau received a grant of options for 2,000 shares at an exercise price of \$25.3125 on October 12, 1998. Mr. McDonald received a grant of options for 1,333 shares at an exercise price of \$32.3125 on December 15, 1998. Each other outside Director received a grant of options for 4,000 shares at an exercise price of \$28.625 per share on April 29, 1998.

Directors also receive cellular telephone equipment and service and other nominal in-kind items.

STOCK OWNERSHIP OF
MANAGEMENT, DIRECTORS AND
CERTAIN BENEFICIAL OWNERS

In 1993, the Committee on Directors first established targets for the minimum amounts of the Company's common stock which Directors should own. These targets for stock ownership consider the length of a Director's tenure on the Board. The 1998 target for Directors was the beneficial ownership of 12,000 shares of the Company's common stock. Each Director has five years to achieve this target, and all Directors with at least five years of service on the Board have met the target. In 1999 the target for each outside Director continues to be the beneficial ownership of at least 12,000 shares of the Company's common stock.

Executive officers of the Company are also encouraged to own shares of the Company. The recommended stock ownership level is based on each officer's position in the organization and is a multiple of salary. Mr. Clayton and each Executive Vice President has a stock ownership target which is the beneficial ownership of Company common stock equal in value to four times his or her respective salary. Each other executive officer has a target of beneficial ownership of Company common stock equal in value to three times his or her respective salary. Each executive officer is expected to achieve his or her target by the later of January 1, 1999 or the fifth anniversary of his or her appointment as an executive officer. All executive officers with at least five years' tenure as an executive officer of the Company have met this target.

The following table sets forth the number of shares of the Company's common stock beneficially owned by each Director and nominee, by each of the named executive officers, and by Directors and officers of the Company as a group as of February 12, 1999. No Director, officer or nominee beneficially owns more than 1% of the Company's outstanding shares of common stock. The group's aggregate holdings constitute approximately 1.3% of the Company's issued and outstanding common stock.

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Management and Directors Stock Ownership Table as of February 12, 1999

Name	Common Stock(1)	Total Stock Options(2)	Beneficial Ownership
Directors and Nominees:			
Patricia C. Barron	13,234	15,399	28,633
Raul E. Cesan	9,099	7,999	17,098
Joseph P. Clayton	328,102	233,332	561,434
Brenda E. Edgerton	12,477	14,449	26,926
Jairo A. Estrada	28,773	15,999	44,772
Michael E. Faherty	98,639	24,333	122,972
Alan C. Hasselwander (3)	40,097	13,265	53,362
Eric Hippeau	15,846	0	15,846
Robert Holland, Jr.	9,559	7,666	17,225
Douglas H. McCorkindale	15,668	15,999	31,667
James F. McDonald	1,400	0	1,400
Dr. Leo J. Thomas	34,463	15,999	50,462
Named Executive Officers:			
Robert L. Barrett	105,930	258,333	364,263
Joseph P. Clayton	328,102	233,332	561,434
Jeremiah T. Carr	57,856	232,732	290,588
Rolla P. Huff	152,613	0	152,613
Donna L. Reeves-Collins	9,499	100,232	109,731
Directors and Executive Officers as a Group			
(20 persons)	980,012	1,319,867	2,299,879

(1) Includes all shares which each Director, nominee or officer directly, or through any contract, arrangement, understanding, relationship or otherwise, has or shares the power to vote or to direct the voting of such shares or to dispose or to direct the disposition of such shares. Amounts in this column include both vested and unvested restricted stock granted to selected executive officers. However, these amounts do not include shares which each such person has the right to acquire pursuant to options or other rights.

(2) Includes all shares which such persons have the right to acquire within the sixty days following February 12, 1999, pursuant to options or other rights. These amounts do not include shares which such persons have the right to acquire more than sixty days after that date.

(3) Includes 1,480 shares owned by Mr. Hasselwander's spouse. Mr. Hasselwander disclaims beneficial ownership of these shares.

Set forth below is the name, address and stock ownership of the only persons or groups of persons known by the Company to own beneficially more than 5% of the

outstanding shares of common stock.

Stock Ownership of Certain Beneficial Owners as of December 31, 1998

Number of Name and Address of Beneficial Owners	Shares of Common Stock	Percent of Class
Delaware Management Holdings, Inc. (1) 2005 Market Street Philadelphia, Pennsylvania 19103	11,512,972	6.71%
Scudder Kemper Investments, Inc. (2) 345 Park Avenue New York, New York 10154	10,379,385	6.10%

(1) Delaware Management Holdings, Inc., filed with the Securities and Exchange Commission a Schedule 13G, dated February 5, 1999, stating that it beneficially owned in the aggregate 11,512,972 shares of the Company's common stock in its capacity as the parent holding company of Delaware Management Business Trust. In its Schedule 13G filing, Delaware Management Holdings, Inc., also disclosed that with respect to the shares it beneficially owns, it has sole voting power with respect to 10,965,172 shares, shared voting power with respect to 547,800 shares, sole dispositive power with respect to 11,512,972 shares, and shared dispositive power with respect to 0 shares.

(2) Scudder Kemper Investments, Inc., filed with the Securities and Exchange Commission a Schedule 13G, dated February 12, 1999, stating that it beneficially owned in the aggregate 10,379,385 shares of the Company's common stock. In its Schedule 13G filing, Scudder Kemper Investments, Inc., also disclosed that with respect to the shares it beneficially owns, it has sole voting power with respect to 4,207,085 shares, shared voting power with respect to 5,706,000 shares, sole dispositive power with respect to 10,270,285 shares, and shared dispositive power with respect to 109,100 shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company's Directors, executive officers and shareholders holding in excess of 10% of the common stock are required to file reports with the Securities and Exchange Commission and the New York Stock Exchange, with copies to the Company, concerning ownership of and transactions in the Company's common stock. Based solely on those reports furnished to the Company and related information, the Company believes that all such filing requirements for 1998 were complied with in a timely fashion with the exception of a single transaction by Donna L. Reeves-Collins in November 1998 which was not timely reported on a Form 4.

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REPORT OF COMMITTEE ON DIRECTORS

Your Board formed the Committee on Directors in 1993 to focus the Board's attention on corporate governance and to serve as the nominating committee. Since then, the Committee initiated several actions designed to increase the independence of the Board and to enhance the alignment of Directors' interests with those of shareholders. Many of these actions were already reported to you in prior proxy statements. During 1998, the Committee maintained its oversight responsibilities with respect to corporate governance.

In adopting a set of Governance Guidelines, the Board sought to improve the overall financial performance of the Company. The Guidelines, designed to meet the best interests of the shareholders, establish the framework and standards for Board operation. We review these annually and describe the main provisions here.

Under the Governance Guidelines, the size of the Board is set between 9 and 14 members, each of whom is elected for a one-year term. Currently there are 12 members of the Board of Directors and each serves on at least one committee. We expect 100 percent attendance with a minimum permitted attendance of 75 percent of the meetings. All of your Directors met the attendance requirement in 1998. The minimum number of Board meetings held each year is 5 and, for each Committee, is 2.

There is a majority of independent outside Directors on the Board. All Committees, except the Executive Committee, are composed entirely of independent outside Directors. A majority of the Executive Committee members is independent outside Directors. Generally, retirement age is 70. If a Director's primary job changes, he or she submits a resignation to the Committee on Directors which, after consideration, recommends whether or not to accept it. Retirement is considered a job change in the context of this provision. The Chair of the Executive Committee serves as Lead Director. In recognition of the additional responsibilities of the Lead Director function, this Committee recommended that the Lead Director receive additional compensation in an amount equal to the cash

value of 1,200 shares of the Company's common stock. This additional compensation was approved by the full Board of Directors.

The Committee monitors the stock ownership of the members of the Board and reports that all current outside Board members have met their respective stock ownership target in effect at the end of 1998. The target may be reached over a period of five years and is 12,000 shares.

In 1996, the Committee reviewed Board member compensation and determined that a major shift was desirable to more closely align the Directors' interests with those of the shareholders. Thus, the Committee recommended that beginning with the 1996 compensation package, the full retainer paid to each Board member and each Chair of a Committee would be in the form of shares of Frontier common stock. The Board approved this plan, and subsequently the shareholders approved this plan at the April 24, 1996 Annual Meeting of Shareholders. This plan remains in effect for 1999.

In 1998, the Committee and the Board continued the practice of peer evaluation. This process provides feedback to each Director and to the Board with respect to strengths of the Board and areas for improvement. In alternate years, the Board evaluates its effectiveness as a whole in a number of areas of the Board's responsibility including the protection of shareholders' interests, CEO performance review, strategic planning and management succession. This Committee on Directors performed two searches in 1998 for new Directors and successfully added two new members to your Company's Board.

Your Committee on Directors will continue to review annually the governance standards and recommend improvements in governance to the full Board of Directors. A complete copy of the Governance Guidelines is available from the Corporate Secretary.

Respectfully submitted,

The Committee on Directors
Michael E. Faherty (Chair)
Brenda E. Edgerton
Eric Hippeau
Douglas H. McCorkindale
January 25, 1999

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REPORT OF COMMITTEE ON MANAGEMENT

Compensation Philosophy and Policy

The Committee on Management believes that it is imperative for Frontier to offer an aggressive, competitive compensation program to motivate employees to build wealth for shareholders. The executive compensation program is designed to reward employees whose results enable the Company to achieve its vision. The components of the program are:

- . Base Salary
- . Annual Incentive Plan (Bonus)
- . Stock Incentive Plan

The executive compensation program is structured to attract and retain the highest caliber executives. They are compensated based on the Company's consolidated performance and the individual's contribution. The program is designed to be competitive with compensation programs offered by comparable employers. The Company retains William M. Mercer, Inc. to review its executive compensation program on an annual basis. Information from this consulting firm, other independent studies and public information concerning salary, bonus and long-term incentive payments paid by companies in the telecommunications and related industries are used by this Committee to determine an appropriate compensation package for the Company's executives.

The analysis includes information from a peer group of twenty-seven companies in the telephone, long distance, cable television, cellular and information technology industries. This group includes most of the companies reported in the Standard & Poor's Telephone Index and all of the companies reported in the Standard & Poor's Long Distance Index, together with additional companies. The Company's policy is to establish benchmarks at the median and 75th percentile of the comparative companies and to reward results based on performance. On a comparative basis, the base salary of the Company's CEO and its other executives, on average, would be considered within the third quartile of this group of peer companies.

Significant Actions During The Year

In January 1998, the Committee negotiated, with the Board's approval, a new employment agreement with Mr. Clayton to reflect his duties as Chief Executive Officer. The term of the agreement is for three years and defines the elements of his compensation. The Committee also approved employment agreements during

the year with other executive officers of the Company which reflect their respective duties and the elements of their compensation.

In February 1998, Louis Massaro, then Chief Financial Officer, retired from the Company. Rolla P. Huff was hired in May 1998 to fill this role. As components of his compensation package, Mr. Huff was awarded stock options and restricted stock. Vesting of the restricted stock is predicated on both continued employment and the achievement of specific stock price performance targets.

Base Salary

The salaries of the executive officers are based on the executive's performance and an analysis of base salaries paid executive officers having similar responsibilities in other companies. This analysis included the companies in the peer group of twenty-seven publicly-traded companies together with additional companies from other industries with similar revenues and/or asset values. Mr. Clayton's base salary was adjusted in 1998 to reflect his responsibilities as Chief Executive Officer. A further adjustment will be made to his salary in February 1999. The level of Mr. Clayton's base salary was also based upon a subjective assessment of his individual performance as well as overall corporate performance as measured by actual financial and operating results versus pre-established targets, strategic goals, and growth of the business. The base salaries of the other executive officer positions, other than that of the Chief Executive Officer, were set during 1998 and are commensurate with the respective position's responsibilities. This Committee continues to review executive salary levels in order to ensure competitiveness. Adjustments are planned to these salaries to take effect beginning in February 1999.

In addition to benchmarking comparative companies' salaries, salary levels for the executives were based upon a subjective assessment of each individual's performance and responsibilities as well as overall corporate performance as measured by actual earnings per share and revenue versus pre-established targets, strategic goals and business and individual performance. No relative weights are attributed to any specific measurement factors.

Annual Incentive Plan (Bonus)

The Company's annual incentive plan is a bonus plan designed to provide performance-based compensation awards to executives for achievement during the past year. For executive officers, annual incentive awards are a function of individual performance and consolidated corporate results. Business

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unit performance is also a component of the annual incentive plan for certain of those employees involved in line operations below the executive officer level. All participants are subject to a discretionary adjustment, either positive or negative, based on individual performance. The specified qualitative and quantitative criteria employed by the Committee in determining annual incentive awards vary individually and from year to year. These criteria, or targets, are established as a means of measuring executive performance. The corporate targets for 1998 were based upon earnings per share, revenue, operating income, customer churn, and employee-initiated churn. Targets and weightings were established by this Committee as an incentive to improve the financial performance of the firm and thus improve long-term stock performance. Performance objectives and associated payout opportunities were established at the beginning of the year for executive officers. The objectives are identified as threshold, standard and premier targets with standard performance yielding payouts at the median level competitively. Actual overall 1998 corporate performance was between the threshold and standard levels, and accordingly, there was a bonus payout for the executives. Mr. Clayton's incentive bonus in the amount of \$527,583 was determined in accordance with these targets and was paid out in early 1999. One executive who joined Frontier in 1998 received a guaranteed incentive bonus as part of his initial compensation package.

Stock Incentive Plan

This Committee believes that stock-based plans are an important component of executive compensation programs because they tie long-term compensation directly to the interests of shareholders. The Company's Management Stock Incentive Plan is designed to align executive compensation with long-term performance of the Company's stock. Stock options issued in 1998 do not expire until 2008, and the exercise price is the closing price of the stock on the day the option was granted. This Committee makes a subjective determination of the specific stock option grant to be awarded to each executive officer. The factors considered by the Committee in making this determination are:

- (a) the executive officer's past performance on previously set objectives;
- (b) his or her expected future contribution to the long-term strategic goals and objectives of the Company; and
- (c) industry practices.

No relative weights are attributed to any of these factors. All executive officers of the Company received options in 1998 based on their position in the Company, their contribution to the achievement of the Company's long-term objectives as assessed by Committee members based on their experience with the executive officers, and upon the recommendation of the Chief Executive Officer. Upon the recommendation of this Committee, Mr. Clayton received stock option grants for 200,000 shares based upon these factors as well.

Restricted stock awards were granted to incent and retain certain of the named executive officers. The awards were issued to them based upon their expected contribution to the achievement of the Company's long-term objectives as assessed by Committee members based on their experience with the executive officers, and upon recommendation of the Chief Executive Officer. Restricted stock awards issued to them in 1998 vest based upon stock performance and the passage of time. Upon the recommendation of this Committee, the full Board of Directors awarded Mr. Clayton a total of 300,000 shares of restricted stock. Restricted stock awards to Mr. Clayton for 200,000 of these shares expire on February 28, 2001 and on February 10, 2003 for the other 100,000 of these shares. Executives, including Mr. Clayton, must continue to be employed by the Company and specified stock price targets must be achieved by certain dates for vesting to occur. Executives who leave the Company for any reason other than retirement, death or disability forfeit all unvested awards. No greater than one-third of an executive's award can be paid out in either 1999 or 2000. On February 10, 1998, the grant date of Mr. Clayton's 300,000 shares of restricted stock, the Company's stock price was \$25.50 per share. Of this amount 66,666 shares vest upon the achievement of at least a \$29.00 stock price for twenty business days in a thirty business day period. Subsequent tranches will vest upon achievement, for the same minimum duration, of stock prices of \$34.00 and \$39.00. (See also footnote 1 to the Long-Term Incentive Plans--Awards in Last Fiscal Year Table at page 15.)

Other Actions

The Committee believes that stock-based programs provide the best long-term incentives, are excellent motivators and better align the efforts of employees with the objectives of the shareholders. The Committee had previously established stock ownership guidelines for the Company's executives. These guidelines are described elsewhere in this proxy statement.

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Section 162(m) of the Internal Revenue Code limits the tax deduction to \$1 million per person for compensation paid to the five highest paid executive officers unless certain requirements are met. The Management Stock Incentive Plan, specifically as it relates to performance-based restricted stock, is designed to comply with Section 162(m) requirements. The Committee favors a pay-for-performance compensation program and intends to continue to review executive compensation plans in consideration of the regulation.

No member of this Committee is a former or current officer or employee of the Company or any of its subsidiaries.

Respectfully submitted,

The Committee on Management
Dr. Leo J. Thomas (Chair)
Raul E. Cesan
James F. McDonald
January 25, 1999

PERFORMANCE GRAPH

The following graph charts the Company's cumulative total shareholder return performance against the Standard & Poor's Telephone Index, the Standard & Poor's Long Distance Index and the Standard & Poor's 500 Index. A variety of factors may be used in order to assess a corporation's performance. This Performance Graph, which reflects the Company's total return against the selected peer group, reflects one such method. The performance of the Standard & Poor's Telephone Index and the Standard & Poor's Long Distance Index are weighted by the stock market capitalization of the companies within each of these peer groups. These same comparisons have been presented in the last three proxy statements. The Company's common stock closing price on December 31, 1998 was \$34.00 per share.

[GRAPH APPEARS HERE]

<TABLE>
<CAPTION>

Value of \$100 invested
through the period ending: 0 1994 1995 1996 1997 1998

<S>	<C>	<C>	<C>	<C>	<C>	<C>
. Frontier Corporation	\$100.00	\$99.12	\$140.05	\$110.64	\$120.47	\$172.83
[] S&P 500	\$100.00	\$101.52	\$139.72	\$170.47	\$228.48	\$292.38
* S&P Long Distance	\$100.00	\$88.93	\$120.35	\$120.66	\$169.40	\$281.94
/\ S&P Telephone	\$100.00	\$92.06	\$138.11	\$139.01	\$192.53	\$280.79

</TABLE>

COMPENSATION OF COMPANY MANAGEMENT

We have included the following tables and other information to help you understand the compensation of the Company's executives. These tables reflect the components of compensation paid the executive officers of Frontier Corporation. Specifically, these include salary, bonus, stock options and a long-term incentive plan. The Company does not provide its executives with stock appreciation rights.

The Report of the Committee on Management of the Board of Directors appears on pages 9 through 11 of this proxy statement. This Report discusses the factors taken into consideration in setting Mr. Clayton's compensation and the compensation of the other executive officers. A Performance Graph showing the performance of the Company's stock as compared to the Standard & Poor's 500 Index, the Standard & Poor's Telephone Index, and the Standard & Poor's Long Distance Index appears on page 11 of this proxy statement.

Summary Compensation Table

The following table provides a summary of compensation paid to the CEO and the other four most highly compensated executive officers of the Company for services rendered to the Company and/or its subsidiaries over the past three fiscal years. The indicated titles are those held by each named executive officer as of January 31, 1999.

<TABLE>

<CAPTION>

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		ALL OTHER COMPENSATION (\$) (4)
	YEAR	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$) (2)	AWARDS SECURITIES UNDERLYING OPTIONS/SARS (#)	
J. P. CLAYTON / (1) / CEO AND PRESIDENT FRONTIER CORPORATION	1998	\$725,000	\$527,583	\$ 16,274	200,000	\$286,366
	1997	\$364,583	\$350,000	\$ 0	500,000	\$475,535
	1996	N/A	N/A	N/A	N/A	N/A
R. L. BARRETT / (1) / EXECUTIVE VICE PRESIDENT FRONTIER CORPORATION AND PRESIDENT--TECHNOLOGY	1998	\$345,000	\$150,627	\$ 0	75,000	\$ 12,025
	1997	\$322,500	\$ 0	\$ 0	50,000	\$ 4,638
	1996	\$231,250	\$ 0	\$ 84,670	200,000	\$246,528
J. T. CARR EXECUTIVE VICE PRESIDENT FRONTIER CORPORATION AND PRESIDENT-- FRONTIER OPERATIONS	1998	\$400,000	\$174,640	\$ 0	100,000	\$ 5,622
	1997	\$319,084	\$ 0	\$ 0	50,000	\$ 3,825
	1996	\$270,000	\$ 0	\$ 0	100,000	\$ 5,226
R. P. HUFF / (1) / EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER FRONTIER CORPORATION	1998	\$218,750	\$300,000	\$ 31,188	350,000	\$141,579
	1997	N/A	N/A	N/A	N/A	N/A
	1996	N/A	N/A	N/A	N/A	N/A
D. L. REEVES-COLLINS / (1) / SENIOR VICE PRESIDENT AND PRESIDENT-- FRONTIER SALES	1998	\$275,000	\$115,084	\$110,713	75,000	\$ 47,081
	1997	\$262,841	\$ 65,520	\$ 18,205	70,500	\$334,203
	1996	\$146,035	\$ 67,388	\$ 0	25,000	\$ 42,868

</TABLE>

(1) Mr. Clayton became an employee on June 9, 1997 and was named President and Chief Operating Officer effective June 16, 1997, Mr. Barrett was named Executive

Vice President effective March 26, 1996, and Mr. Huff became an employee on May 22, 1998 and was named Executive Vice President effective June 1, 1998. Prior to those dates, none had received any remuneration for services to Frontier Corporation or any of its subsidiaries. See also Long-Term Incentive Plans--Awards in Last Fiscal Year Table at page 15. The amount reflected as 1997 salary for Ms. Reeves-Collins includes a cost-of-living adjustment of \$84,706 paid to her in connection with her relocation, at that time, to California in her position as Frontier Corporation's Vice-President-Western Region. The amounts shown as bonus for Ms. Reeves-Collins in 1996 and in 1997 reflect commissions paid to her in connection with her prior sales management positions with Frontier's long distance business unit.

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(2) The amount reported in this column for 1996 includes \$84,670 paid to Mr. Barrett to offset income tax liabilities incurred by him. The amount reported in this column for 1997 includes \$18,205 paid to Ms. Reeves-Collins to offset income tax liabilities incurred by her in 1996 and 1997. The amount reported in this column for 1998 includes \$16,274 paid to Mr. Clayton to offset income tax liabilities incurred by him in 1998, \$110,713 paid to Ms. Reeves-Collins to offset income tax liabilities incurred by her in 1998, and \$31,188 paid to Mr. Huff to offset income tax liabilities incurred by him in 1998.

(3) The amounts reflect the dollar value of the portion of Mr. Barrett's and Mr. Carr's restricted share grants which vested in 1998. The grants of these restricted shares were reflected as Long-Term Incentive Plan Awards in the years in which they were originally granted.

(4) "All Other Compensation" includes imputed income from term life insurance coverage and the Company's contributions to both the tax-qualified 401(k) and nonqualified defined contribution plans. For 1998, the dollar value of term life insurance coverage premiums paid by the Company for the benefit of the named executive officers was \$22 for Mr. Clayton, \$22 for Mr. Barrett, \$22 for Mr. Carr, \$11 for Mr. Huff and \$22 for Ms. Reeves-Collins. The Company's 1998 contributions on behalf of the named executive officers to the tax-qualified 401(k) and nonqualified defined contribution plans, respectively, were as follows: \$0 and \$37,625 for Mr. Clayton; \$2,956 and \$9,047 for Mr. Barrett; \$5,600 and \$0 for Mr. Carr; \$800 and \$4,766 for Mr. Huff; and \$2,863 and \$6,762 for Ms. Reeves-Collins. For Mr. Clayton, Mr. Huff and Ms. Reeves-Collins, "All Other Compensation" also includes the reimbursement of relocation fees in the respective amounts of \$248,719, \$136,002 and \$37,434.

The following companion tables to the Summary Compensation Table list the stock options granted during the 1998 fiscal year to the named executive officers, their stock option exercises in 1998 and the aggregate options they held at the end of 1998, long-term incentive plan restricted stock awards granted during 1998, and the estimated retirement benefits which would be paid to them at age 65.

Option/SAR Grants in Last Fiscal Year

The following table of Individual Grants includes a column designated as "Grant Date Present Value." The calculations in this column are based on the Black/Scholes Present Value Pricing Methodology. This is used to determine the theoretical value of a stock option. The parameters used in this model are the exercise or strike price, the term of the option or term to expiration, the underlying stock price, the daily volatility of the stock, the prevailing interest rate, and the stock's dividend rate.

INDIVIDUAL GRANTS IN 1998

<TABLE>
<CAPTION>

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#) (1)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SHARE)	EXPIRATION DATE	GRANT DATE PRESENT VALUE (\$) (3)
<S>	<C>	<C>	<C>	<C>	<C>
J. P. CLAYTON / (2) /	200,000	4.11%	\$25.5000	2/10/08	\$1,532,340
R. L. BARRETT / (2) /	75,000	1.54%	\$25.5000	2/10/08	\$ 574,628
J. T. CARR / (2) /	100,000	2.06%	\$25.5000	2/10/08	\$ 766,170
R. P. HUFF / (2) /	200,000	4.11%	\$30.7500	5/22/08	\$2,049,740
	50,000	1.03%	\$33.3125	8/26/08	\$ 594,630
	100,000	2.06%	\$26.4375	10/19/08	\$1,019,320

</TABLE>

(1) The options granted under the Management Stock Incentive Plan have the following material terms: exercise price is the market price (based on the closing price of the Company's common stock on the New York Stock Exchange) on the date of the option grant; 1/3 of the options granted may be exercised commencing one year following the grant date, a second 1/3 may be exercised commencing two years following the grant date, and the remaining 1/3 may be exercised commencing three years following the grant date. Options may not be transferred other than by will or the laws of descent and distribution. An option may be exercised upon written notice to the Company accompanied by payment in full for the shares being acquired. In the event of a "change in control" as defined by the Management Stock Incentive Plan, all options become immediately vested and exercisable.

(2) Options were granted to Mr. Huff on May 22, 1998, August 26, 1998 and 19, 1998, at an exercise price equal to Frontier Corporation's closing stock price on each date; such prices were, respectively, \$30.75 per share, \$33.3125 per share and \$26.4375 per share. Options were granted to all other named executive officers on February 10, 1998, at an exercise price equal to Frontier's closing stock price on that date of \$25.50 per share.

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(3) The Black/Scholes pricing model is a methodology by which to determine the theoretical value of a stock option. The parameter assumptions used in the model are as follows:

<TABLE>
<CAPTION>

Grant Date	Exercise Price	Option Term	Underlying Stock Price	Risk Free Rate of Return	Expected Daily Volatility	Dividend Yield
<S> 2/10/98	<C> \$ 25.50	<C> 10 yrs.	<C> \$ 25.50	<C> 5.570%	<C> .349	<C> 4.216%
5/22/98	\$ 30.75	10 yrs.	\$ 30.75	5.640%	.339	3.485%
8/26/98	\$33.3125	10 yrs.	\$33.3125	5.200%	.355	3.086%
10/19/98	\$26.4375	10 yrs.	\$26.4375	4.670%	.411	3.086%

</TABLE>

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

<TABLE>
<CAPTION>

Name	Shares Acquired On Exercise (#)	Value Realized (\$ (1))	Number of Securities Underlying Unexercised Options/SARs at FY End		Value of Unexercised In-the-Money Options/SARs at FY End (2)	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
<S> J. P. Clayton	<C> 0	<C> N/A	<C> 166,666	<C> 533,333	<C> \$2,427,074	<C> \$6,554,176
R. L. Barrett	0	N/A	149,999	175,001	\$ 618,741	\$1,250,009
J. T. Carr	26,400	\$300,456	182,732	166,668	\$1,325,982	\$1,333,342
R. P. Huff	0	N/A	0	350,000	\$ 0	\$1,440,625
D. L. Reeves-Collins	0	N/A	75,232	116,668	\$ 703,621	\$1,005,217

</TABLE>

(1) Aggregate market value of the shares acquired or covered by the option less the aggregate exercise price.

(2) Options are valued at the market value of Frontier Corporation common stock at December 31, 1998, (closing price of \$34.00) less the per share option exercise price, multiplied by the number of exercisable/unexercisable options.

Long-Term Incentive Plans Awards in Last Fiscal Year

<TABLE>
<CAPTION>

Name	Number of Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout
<S>	<C>	<C>
J. P. Clayton	300,000	(1)
R. L. Barrett	0	
J. T. Carr	0	
R. P. Huff	150,000	(1)
D. L. Reeves-Collins	0	

(1) Messrs. Clayton and Huff each were awarded shares of restricted stock under the Management Stock Incentive Plan which is a long-term incentive plan. Mr. Clayton received all his shares on February 10, 1998. Mr. Huff received 100,000 shares on May 22, 1998 and 50,000 shares on October 19, 1998. Vesting is subject to performance criteria as well as the passage of time and continued employment. Recipients of restricted shares have full voting rights on the shares and are entitled to receive accumulated dividends when the shares vest. In the event of death, disability, or retirement, individuals (or their estates) will be entitled to a distribution of restricted shares upon the achievement of the vesting criteria, prorated to reflect their periods of active participation during the grant term. In the event of a "change in control" as defined by the Management Stock Incentive Plan, all restricted shares become immediately vested. With respect to 200,000 shares of Mr. Clayton's award, the first third will vest upon achievement of at least a \$29.00 stock price for twenty business days in a thirty business day period. The remaining two-thirds will vest upon achievement of stock prices of \$34.00 and \$39.00 for twenty business days in a thirty business day period. Shares which do not vest by February 28, 2001 are forfeited, together with all dividends thereon. With respect to Mr. Huff's May 22, 1998 award of 100,000 restricted shares, the first third will vest upon achievement of at least a \$35.00 stock price for twenty business days in a thirty business day period. The remaining two-thirds will vest upon achievement of stock prices of \$41.00 and \$47.00 for twenty business days in a thirty business day period; shares which do not vest by May 31, 2001 are forfeited, together with all dividends thereon. With respect to Mr. Huff's October 19, 1998 award of 50,000 restricted shares, the first third will vest upon achievement of at least a \$29.00 stock price for twenty business days in a thirty business day period. The remaining two-thirds will vest upon achievement of stock prices of \$32.00 and \$35.00 for twenty business days in a thirty business day period; shares which do not vest by October 31, 2001 are forfeited, together with all dividends thereon. In the case of Mr. Clayton's 200,000 restricted shares and all Mr. Huff's restricted shares, no greater than one-third of the award can be paid in either 1999 or 2000. Mr. Clayton's remaining 100,000 restricted shares vest February 10, 2003 provided that the Company's stock price shall have reached \$29.00 per share within 12 months of the grant, \$31.00 per share within 18 months of the grant, or \$32.00 per share within 24 months of the grant. This stock price appreciation target was reached; payout of the vested amounts will be deferred until Mr. Clayton reaches age 55 on October 11, 2004.

Pension Plans

The following table shows the estimated annual benefits payable upon retirement at age 65 to individuals in specified remuneration and years of service classifications. Furthermore, the amounts set forth are neither subject to any deduction for Social Security benefits or any other offsets nor adjusted to reflect maximum allowable benefits under the Internal Revenue Code.

Certain of the Company's officers are participants in the Company's Pension Plan for Non-Bargaining Employees (the "Management Pension Plan") as supplemented by a Supplemental Management Pension Plan ("SMPP"). Of those listed in the Summary Compensation Table, Mr. Carr and Ms. Reeves-Collins participate in these Plans. The annual aggregate pension benefit for an officer under these Plans is based upon several factors and is largely determined by the number of years of employment multiplied by a percentage of the officer's three consecutive years of highest average annual compensation preceding retirement.

Both the Company's Management Pension Plan and the SMPP were amended and frozen effective December 31, 1996. Benefit calculations under both pension plans were increased by 20% for all plan participants who had five or more years of service under the Plans by December 31, 1996. Additionally, early retirement

requirements were reduced by three years of service and three years of age as final enhancements to both plans.

Pension Plan Table

<TABLE>
<CAPTION>

Remuneration	Years of Service				
	(15)	(20)	(25)	(30)	(35)
<S>	<C>	<C>	<C>	<C>	<C>
\$250,000	\$ 67,648	\$ 90,197	\$112,746	\$135,295	\$157,844
300,000	81,508	108,677	135,846	163,015	190,184
350,000	95,368	127,157	158,946	190,735	222,524
400,000	109,228	145,637	182,046	218,455	254,864
450,000	123,088	164,117	205,146	246,175	287,204
500,000	136,948	182,597	228,246	273,895	319,544
550,000	150,808	201,077	251,346	301,615	351,884
600,000	164,668	219,557	274,446	329,335	384,224
650,000	178,528	238,037	297,546	357,055	416,564

</TABLE>

Messrs. Clayton, Barrett, Carr, and Huff and Ms. Reeves-Collins each have executive contracts which may pay a benefit in the event of a "change in control" of the Company. These contracts are explained in detail on page 17 of this proxy statement. With the exception of Messrs. Clayton, Barrett and Huff, each of them also participates in the Company's Management Pension Plan and SMPP. Under SMPP, the service factor would include, subject to certain limitations, the amount of service for which payment is made to each of them under his or her respective executive contract.

The SMPP also provides that in the event of a Change in Control of the Company, the Board may not terminate a participant's benefit and the Employees' Benefit Committee may not change prior decisions regarding a participant's service factor.

Effective January 1, 1994, the Company established a Supplemental Executive Retirement Plan ("SERP") which covers Mr. Carr plus one other current executive. The Plan has an accrual and vesting schedule based on years of service and age. A maximum benefit of 60% of final compensation will be paid to an executive retiring at age 50 or older with 30 or more years of service. Payments made under the Company's Management Pension Plan and the SMPP are included in determining the ultimate benefit payable under the SERP. However, in order to qualify for the SERP benefit, a covered executive must be at least 50 years of age. Executive officers who are not at least 50 years old when they retire would only receive the retirement benefits set forth in the above Pension Plan Table and would receive no SERP benefit. Effective December 31, 1999, the SERP will be frozen with no enhancements.

For the purpose of the Management Pension Plan, annual compensation includes all taxable W-2 compensation plus deferred compensation. For the purpose of SMPP and the SERP, annual compensation is the same as that given in the Salary and Bonus columns of the Summary Compensation Table for the named executive officers. The number of years of employment of such individuals for the purposes of these Plans currently are as follows: Mr. Carr--29 and Ms. Reeves-Collins--15.

Ms. Reeves-Collins has not yet attained the age and years of service criteria to be retirement eligible. If her employment ended as of the current date, Ms. Reeves-Collins would receive a deferred pension based upon the amount reflected in the Pension Plan Table. Since Mr. Carr has attained the age of 50 years and has 29 years of service credit, he is entitled to a full pension based on the amount reflected in the Pension Plan Table. Assuming compensation at his January 31, 1999 level, if Mr. Carr were to retire, he would additionally receive an annual SERP benefit of \$44,900.58.

Employment Contracts

The Company has entered into employment agreements with certain of its executive

officers. Effective August 16, 1995, the Company entered with Mr. Carr into an employment agreement with a three-year term and a provision for annual renewals. Effective March 26, 1996, the Company also entered with Mr. Barrett into a three-year employment agreement with a provision for annual renewals. Additionally, the Company entered with Ms. Reeves-Collins into a similar agreement on October 13, 1997. Each of these agreements provides for specific compensation, duties and terms and conditions of employment. Each agreement also provides that, in the event of a Change in Control (as defined in the agreement) which is followed within three (3) years by termination of employment under certain circumstances, the employee will be entitled to all accrued compensation, a pro rata bonus, a cash severance payment (as determined under the agreement), the cash value of certain retirement amounts (if applicable and as determined under the agreement) and continuation for three years of certain health and life insurance benefits. Additionally, in the event any of these amounts are determined to trigger an Excise Tax (as defined in the agreement), the employee may also be entitled to a Gross-Up Payment (also as defined in the agreement). The amount of the severance payable to a named officer may vary based upon the individual's agreement with the Company.

Effective January 1, 1998, the Company entered into an employment agreement with Mr. Clayton. Mr. Clayton's agreement has a three-year term with annual renewals and specifies the duties of his employment. It also provides for an annual base compensation of \$725,000, a short-term incentive as established under the Company's Executive Compensation Program, a grant of 200,000 stock options, and the grant of a total of 300,000 restricted shares with vesting tied to specific performance criteria linked to an increase in the Company's stock price and the passage of time. Of this grant, 200,000 restricted shares will vest over three years, assuming achievement of certain specific stock price appreciation targets. The performance criteria for the remaining 100,000 restricted shares is a specific stock price appreciation target to be achieved over 12, 18 or 24 months. Assuming achievement of these stock price appreciation targets, the 100,000 restricted shares will vest five years following the grant date. Mr. Clayton's employment agreement also contains termination and Change in Control provisions substantially similar to the agreements of the other named executive officers.

Effective May 22, 1998, the Company entered into an employment agreement with Mr. Huff. Mr. Huff's agreement has a three-year term with annual renewals and specifies the duties of his employment. It also provides for an annual base compensation of \$375,000, a short-term incentive as established under the Company's Executive Compensation Program, a grant of 200,000 stock options, and the grant of a total of 100,000 restricted shares with vesting tied to specific performance criteria linked to an increase in the Company's stock price and the passage of time. All these restricted shares would vest over three years, assuming achievement of certain specific stock price appreciation targets. Mr. Huff's employment agreement also contains termination and Change in Control provisions substantially similar to the agreements of the other named executive officers. This agreement addresses Mr. Huff's responsibilities as Executive Vice President and Chief Financial Officer and provides that the Board of Directors may consider his appointment to the position of President and Chief Operating Officer.

BUSINESS TRANSACTIONS AND RELATIONSHIPS

Alan Hasselwander and the Company entered into a consulting arrangement under which he serves as Chair of the North American Numbering Council ("NANC"). The NANC advises the Federal Communications Commission ("FCC") on telecommunications industry numbering issues, including implementation of the FCC's number portability rules. Mr. Hasselwander's consulting agreement provides that he will perform services on a per diem basis and is reimbursed for necessary expenses. During 1998, Mr. Hasselwander received \$150,000, plus reimbursement for expenses, under this consulting arrangement. The Company anticipates that Mr. Hasselwander will continue to render services during 1999 pursuant to this consulting arrangement but is, at this time, unable to anticipate the amount which it will pay for any future services.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS

The Committee on Management serves as the compensation committee. The members of the Committee on Management at the end of the last completed fiscal year were Mr. Cesan, Mr. McDonald and Dr. Thomas (Chair). None of these persons were, during 1998 or previously, an officer or employee of the Company or any of its subsidiaries.

The full Board of Directors accepted the recommendation of the Committee on Management concerning Mr. Clayton's compensation. Mr. Hasselwander is a former officer of the Company and, during 1998, he participated in those deliberations of the Company's Board of Directors in which the Board accepted the Committee on Management's recommendations concerning executive officer compensation. Mr. Hasselwander is not a member of the Committee on Management. No executive

officer of the Company has, during 1998 or previously, served as a director or member of the compensation committee of any other entity that has an executive officer who serves or has served either as a member of the Committee on Management or as a member of the Board of Directors of Frontier Corporation.

INDEMNIFICATION OF CERTAIN PERSONS

The Company and its subsidiaries indemnify their Directors and officers against certain liabilities they may incur. As authorized by New York State Law, the Company and its subsidiaries have purchased insurance from the Chubb Group, Reliance National, and Gulf Insurance Company insuring the Company and its subsidiaries against amounts they may pay as a result of indemnifying their officers, Directors and certain fiduciaries under the Employees Retirement Income Security Act of 1974 (ERISA). These insurance policies also insure all officers and Directors of the Company and its affiliates for additional liabilities against which the Company and its affiliates may not provide indemnification. The Directors and Officers Liability insurance has combined limits with the Fiduciary Liability insurance. The insurance was renewed on May 21, 1998 for a period of three years. During 1998, the Company prepaid \$924,000 for the entire three-year term of this insurance.

PROPOSAL 2--RATIFICATION OF PUBLIC ACCOUNTANT

Your Board of Directors recommends a vote "FOR" this proposal.

The Company's public accountant is PricewaterhouseCoopers LLP. At the Annual Meeting, the shareholders will consider and vote upon a proposal to ratify the public accountant for the Company's fiscal year ending December 31, 1999. The Audit Committee of the Board of Directors has recommended that shareholders ratify the re-election of PricewaterhouseCoopers LLP as public accountant for that year. No member of the Audit Committee is an officer or employee of the Company. The Board of Directors unanimously recommends that you vote FOR this proposal. Proxies solicited by the Board of Directors will be voted FOR the foregoing proposal unless otherwise indicated. Approval of this proposal will require the affirmative vote of a majority of the votes cast at the Annual Meeting by the holders of the common stock outstanding.

Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting to make a statement, if they wish, and to respond to appropriate questions from shareholders.

2000 ANNUAL MEETING--FUTURE PROPOSALS OF SHAREHOLDERS

In order to be eligible for inclusion in the proxy materials for the Company's 2000 Annual Meeting of Common Shareholders, any shareholder proposal to take action at such meeting must be received at the Company's principal executive offices by November 12, 1999. Any such proposal should be addressed to 180 South Clinton Avenue, Rochester, New York 14646, Attention: Josephine S. Trubek, Corporate Secretary.

In addition, the Company's By-Laws establish an advance notice procedure with regard to certain matters, including shareholder proposals not included in the Company's proxy statement, to be brought before an annual meeting of shareholders. In general, in order to bring a matter before the meeting, notice must be received by the Corporate Secretary of the Company not less than 60 days nor more than 90 days prior to the anniversary of the immediately preceding annual meeting.

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The notice must contain information as specified in the By-Laws concerning the matters to be brought before such meeting and concerning the shareholder proposing such matters. If the date of the annual meeting is more than 30 days earlier or more than 60 days later than the anniversary date, notice must be received not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which the public announcement of the date of such meeting is first made. However, if a shareholder complies with the requirements to have a proposal included in the proxy materials, he or she is deemed to have complied with this advance notice procedure. If a shareholder who has notified the Company of his or her intention to present a proposal at an annual meeting does not appear or send a qualified representative to present that proposal at the meeting, the Company need not present the proposal for a vote at the meeting. In order to provide an admission card, we do ask that if a proposal is to be presented by a qualified representative, the shareholder advise us of the identity of the person who will be presenting the proposal.

OTHER MATTERS

As of the date of this proxy statement, the Board of Directors does not intend to present any matter for action at the Annual Meeting other than those set forth in the Notice of Annual Meeting. If any other matters properly come before the meeting, the holders of the proxies will act in accordance with their best judgment. In the event a nominee is unable to serve, the proxies will vote upon a substituted nominee.

An admission ticket will be required to enter the Annual Meeting. Please use the form attached to your proxy card to request your ticket. Ticket requests after April 9, 1999 should be made by calling the Shareholder Line: 1-800-836-0342. If you hold your shares through your broker or otherwise are not a record holder, you may be asked to show evidence of your share position in order to enter the Annual Meeting. At this meeting we will celebrate the Company's 100th year of providing telephone service. We hope you will join us in this celebration.

March 12, 1999

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Notes

Notes

[LOGO OF FRONTIER COMMUNICATIONS]

Frontier Corporation

Frontier Center
180 South Clinton Avenue
Rochester, New York 14646-0700

[Map showing meeting location]

LOGO Frontier Communications/SM/

180 SOUTH CLINTON AVENUE
ROCHESTER, NY 14646

Vote by Telephone

It's fast, convenient, and immediate!
Call Toll-Free on a Touch-Tone Phone
1-877-PRX-VOTE (1-877-779-8683).

Follow these four easy steps:

1. Read the accompanying Proxy Statement and Proxy Card
2. Call the toll-free number
1-877-PRX-VOTE (1-877-779-8683)
3. Enter your 14 digit Control Number located on your Proxy Card above your name
4. Follow the recorded instructions

Your vote is important!
Call 1-877-PRX-VOTE anytime!

Vote by Internet

It's fast, convenient, and your vote is immediately confirmed and posted.

Follow these four easy steps:

1. Read the accompanying Proxy Statement and Proxy Card
2. Go to the Website:

- 3. Enter your 14-digit Control Number located on your Proxy Card above your name
- 4. Follow the instructions provided

Your vote is important!
 Go to <http://www.eproxyvote.com/fro> anytime!

Your telephone or internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. Please note all votes cast via the telephone or the internet must be cast prior to 3:00 p.m. EDT, April 28, 1999. If you wish to change your address or notify the company that you plan to attend the meeting, please mark the boxes below and return your proxy by mail or call the Shareowner Line at 1-800-836-0342 to request an admission ticket.

Do not return your Proxy Card if you are voting by Telephone or Internet
 THANK YOU FOR VOTING

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[2920-FRONTIER CORPORATION] [FILE NAME:FRC91A.ELX] [VERSION-4] [3/04/99]

[X] Please mark votes as in this example.

The Board of Directors recommends a vote "FOR" Proposals 1 and 2:

1. Nominees for Director: (01) Patricia C. Barron, (02) Raul E. Cesan, (03) Joseph P. Clayton, (04) Brenda E. Edgerton, (05) Jairo A. Estrada, (06) Michael E. Faherty, (07) Alan C. Hasselwander, (08) Eric Hippeau, (09) Robert Holland, Jr., (10) Douglas H. McCorkindale, (11) James F. McDonald (12) and Dr. Leo J. Thomas

FOR		WITHHELD
ALL	<input type="checkbox"/>	FROM ALL
NOMINEES		NOMINEES

 For all nominees except as noted above

2. Ratification of PricewaterhouseCoopers LLP as Public Accountant.

FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. To vote in favor of any substituted director if a nominee is unable to serve and act in their discretion upon such matters which may properly come before the meeting or which are incident to the conduct of the meeting, or which the Board of Directors does not know, at the time of this solicitation, will be presented at the Annual Meeting.

MARK HERE FOR	MARK HERE IF YOU
ADDRESS CHANGE	PLAN TO ATTEND THE
AND NOTE AT LEFT	MEETING

(Please sign exactly as your name appears at left)

Signature: _____ Date: _____ Signature: _____ Date: _____

 Ticket Request

If your plan to attend the Annual Meeting of Shareholders at 10:00 a.m., Pacific Time, on Thursday, April 29, 1999, at the Hotel Nikko San Francisco, 222 Mason Street in San Francisco, California, use this form to request your admission ticket. Complete the form by typing or printing your name and address. If your request is received by April 9, 1999, an admission ticket will be mailed to you. All other admission tickets will be provided beginning at 9:00 a.m., at the registration desk for the meeting. (Doors to the meeting will not be open before 9:00 a.m.) The envelope provided for the return of your proxy card should also be used to return this form. Alternatively, tickets may be requested by calling the Shareholder Line 1-800-836-0342. If you hold your shares through a broker or otherwise are not a record holder, we may require you to show evidence of your share position before you will be allowed into the Annual Meeting.

NOTE: If your shares are not registered in your own name, please advise the shareholder of record (i.e., your bank, broker, trustee, etc.) that you wish to

attend the meeting. The registered owner must provide you with evidence of your stock ownership so that you may gain admittance to the meeting.

I plan to attend the meeting.
(please print or type)

Name _____

Street _____

City _____

State _____ Zip Code _____

[2920-FRONTIER CORPORATION] [FILE NAME:FRC91B.ELX] [VERSION-3] [3/05/99]

FRC91B DETACH HERE

PROXY

LOGO Frontier Communications/SM/

I authorize each of Joseph P. Clayton and/or Josephine S. Trubek, or substitutes selected by them, to vote all shares of Frontier Corporation Common Stock which I am entitled to vote at the Annual Meeting of Shareholders on April 29, 1999, or at any adjournment thereof, as specified below.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED. IF NO DIRECTION TO THE CONTRARY IS INDICATED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND THE RATIFICATION OF THE PUBLIC ACCOUNTANT.

SEE REVERSE CONTINUED, and to be signed and dated, on REVERSE SIDE SEE REVERSE SIDE