shall have been true and correct as of such date) except for such inaccuracies in the representations and warranties referred to in this clause (ii) that do not have, and are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect;

(b) The Company and the other Investor shall have performed, satisfied and complied in all material respects with all of their respective covenants and agreements set forth in this Agreement and each of the other Transaction Documents to be performed, satisfied and complied with prior to or at the Closing;

(c) The Company shall have delivered to the Investors an officer’s certificate certifying as to the Company’s compliance with the conditions set forth in clauses (a) and (b) of this Section 5.2;

(d) The Company and the other Investor shall have executed and delivered the Registration Rights Agreement, the Registration Rights Agreement shall be in full force and effect and there shall exist no breach of, or default under, the Registration Rights Agreement;

(e) The Company and the other Investor shall have executed and delivered the Stockholders Agreement, the Stockholders Agreement shall be in full force and effect and there shall exist no breach of or default under the Stockholders Agreement;

(f) All of the Transaction Documents shall be in full force and effect and there shall exist no breach of, or default under, any of the Transaction Documents by the Company, excluding any breach by such Investor;

(g) The Amended and Restated Certificate of Incorporation substantially in the form of Exhibit D hereto, as it may be revised pursuant to the mutual agreement of the parties hereto in accordance with Section 4.19(b) to reflect the terms of the Class E Common Stock as set forth on Exhibit G, shall have been duly filed by the Company with the Secretary of State of the State of Delaware and shall be effective, provided that if, despite their compliance with Section 4.19(b) hereof, the parties hereto cannot agree upon revisions to the Certificate of Incorporation to reflect the terms of the Class E Common Stock as set forth on Exhibit G, this condition shall be satisfied by the filing of the Amended and Restated Certificate of Incorporation substantially in the form attached hereto as Exhibit D;

(h) There shall be no outstanding shares of the Class B Common Stock;

(i) All Consents required in connection with the transactions contemplated by this Agreement and the other Transaction Documents shall have been obtained except where the failure to have obtained any such Consent would not, individually or in the aggregate, have a Material Adverse Effect;

(j) The Class A Common Stock shall be listed on the NMS or the New York Stock Exchange and the New Common Shares and the Conversion Shares shall have been approved for listing on the NMS or such other national securities exchange, subject to notice of issuance; provided, however, this Section 5.2(j) shall be deemed waived if the Investors do not
permit the Company to take any actions reasonably necessary to meet any applicable listing requirements regarding a minimum number of stockholders;

(k) Either (i) the Bank Credit Facility shall be in form and substance reasonably acceptable to such Investor, shall be in full force and effect, there shall exist no breach of or default under the Bank Credit Facility and any and all fees and expenses paid or payable to any commercial bank or any other financial institution in connection with any amendments to the Bank Credit Facility shall be reasonably acceptable to each Investor or (ii) the Amended Bank Credit Facility shall be in form and substance reasonably acceptable to such Investor, shall be in full force and effect, there shall exist no breach of or default under the Amended Bank Credit Facility and any and all fees and expenses paid or payable to any commercial bank or any other financial institution in connection with entering into the Amended Bank Credit Facility shall be reasonably acceptable to each Investor;

(l) Upon the Closing, after giving effect to the issuance of the New Common Shares pursuant to the terms of this Agreement, the complete capital structure of the Company shall be the New Capitalization in all material respects;

(m) If a Bankruptcy Case is commenced, (i) the Bankruptcy Plan shall be in form and substance reasonably satisfactory to such Investor in all material respects and shall have been approved by the Bankruptcy Court pursuant to the Confirmation Order, (ii) the Confirmation Order shall be in form and substance reasonably satisfactory to such Investor in all material respects and shall be final and non-appealable and (iii) all other material orders of the Bankruptcy Court in respect of the Restructuring shall be final and non-appealable;

(n) (i) Except as may be rendered moot by the entry of the Confirmation Order, no Litigation shall have been instituted before any court or Governmental Entity seeking to restrain, modify or prevent the consummation of the transactions contemplated by this Agreement and the other Transaction Documents; and (ii) no Litigation shall have been instituted against the Company or for which the Company would be required to indemnify any Person before any court or Governmental Entity that, in the reasonable opinion of such Investor, would reasonably be expected to have a Material Adverse Effect;

(o) (i) Daniel F. Akerson shall continue to be employed by the Company as the Chief Executive Officer and shall not have expressed any intention to leave the Company and (ii) each of the following positions at the Company shall be held either by the person who holds such position on the date hereof or another person acceptable to each Investor and none of the persons employed in such positions shall have expressed any intention to leave the Company; provided, however, that it is understood that the persons employed in such positions as of the date hereof are acceptable to each Investor: President and Chief Operating Officer, Chief Financial Officer, Chief Technology Officer, Chief Marketing Officer; General Counsel, Senior Vice President – Market Sales Operations and Senior Vice President – National Accounts, Sales & Marketing;

(p) Except as expressly contemplated by Exhibit A or Exhibit H, the Company shall not have made and shall have no obligation (other than obligations theretofore waived by
the recipient) to make any payment, issue any securities or make any distribution of any kind or nature whatsoever under the Plans in connection with or as a result of the consummation of the transactions contemplated by this Agreement and the other Transaction Documents (including, without limitation, any severance or other payment to any person upon termination of such person's employment with the Company or any Subsidiary, whether such termination occurs before, upon or after the Closing) because such payment, issuance or distribution is not required by the terms of the Plans, the party entitled to receive such payment, securities or distribution has waived its rights thereto or otherwise or the obligation to make such payment has been terminated by the Confirmation Order, provided that, in connection with or as a result of the consummation of the transactions contemplated by this Agreement and the other Transaction Documents, the Company and the Subsidiaries shall have the right to make payments under and pursuant to the Retention Bonus Plan in an amount not to exceed $35.0 million less the total aggregate amount of all bonuses and other amounts paid or payable under and pursuant to the 2001 Bonus Plan;

(q) A Business Plan that is reasonably acceptable to such Investor shall have been adopted by the Company;

(r) Since the date hereof, there shall not have occurred any event, circumstance, condition, fact, effect or other matter which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect (i) on the business, operations, assets, financial condition, prospects, or results of operations of the Company and its Subsidiaries taken as a whole (a "Material Adverse Effect") or (ii) on the ability of the Company and such Subsidiaries to perform any material obligation under this Agreement or the other Transaction Documents or to consummate the transactions contemplated by this Agreement and the other Transaction Documents; provided, however, that any event, circumstance, condition, fact, effect, or other matter that would otherwise constitute a Material Adverse Effect shall not constitute a Material Adverse Effect if the material adverse effect thereof shall have been eliminated or rendered moot by the Confirmation Order;

(s) All Regulatory Approvals that are required in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents, shall have been obtained by a Final Order (or waived in whole or in part, which waiver will not be unreasonably withheld, in a writing executed by such Investor, unless such a waiver is prohibited by law), other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect or be unreasonably burdensome to any Investor, and all parties shall have complied with the conditions, if any, imposed in connection with the grant of the Regulatory Approvals, other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect or be unreasonably burdensome to any Investor; provided, that no Investor shall be required to accept or comply with any material condition that would be unreasonably burdensome or that would have a material adverse effect on it or on the value of the Company and shall not be obligated to effect the transactions contemplated by the Transaction Documents if such conditions are imposed;

(t) As of the Closing, the total amount of any and all fees, commissions, expenses, and other amounts paid or payable by the Company and the Subsidiaries to any Person,
including, without limitation, any and all broker, agent, accounting firm, investment bank, other financial advisor, commercial bank, other financial institution, law firm or public relations firm in connection with any of the transactions contemplated by this Agreement or the other Transaction Documents ("Transaction Fees") shall not exceed $45.0 million; provided that Transaction Fees shall (A) include any and all fees, expenses and other amounts (including, without limitation, legal fees and expenses, but excluding amounts paid to settle Litigation or as judgments or other awards in connection with Litigation) not covered by liability or other insurance and payable by the Company or any Subsidiary in connection with any Litigation brought by stockholders of the Company or derivatively on behalf of, or in the name of, the Company related to the Company, its business, its governance, its securities regulatory disclosure practices, the purchase or sale of any of the Company's equity or debt securities, the Investment or the Restructuring Transaction and (B) exclude (1) the Company's obligations to pay Expenses pursuant to Section 8.2 and (2) any and all fees (but not reimbursable expenses, including, without limitation, fees and expenses of counsel) paid or payable to any commercial bank or any other financial institution in connection with any amendments to the Bank Credit Facility or entering into the Amended Bank Credit Facility; and provided further that nothing in this Section 5.2(t) shall limit the Company's obligation to pay Expenses pursuant to Section 8.2;

(u) Any and all Litigation pending or threatened against the Company or its Affiliates, officers, directors, employees, representatives, attorneys and agents, and any and all Litigation pending or threatened against either Investor or its respective Affiliates, officers, directors, managers, partners, members, stockholders, employees, representatives, attorneys and agents, related to the Company, its business, its governance, its securities regulatory disclosure practices, the purchase or sale of any of the Company's equity or debt securities, the Investment or the Restructuring Transaction, shall have been resolved in a manner that is satisfactory to each Investor in its sole discretion; provided that neither Investor shall be able to assert the failure of this condition to be satisfied solely as a result of pending Ordinary Course Litigation; and

(v) The bylaws of the Company, substantially in the form attached hereto as Exhibit E (the "Bylaws"), shall have been adopted by the Board of Directors and shall be in full force and effect.

5.3. Conditions to Obligations of the Company. The obligation of the Company to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by the Company at or prior to the Closing of each of the following conditions:

(a) Each of the representations and warranties of each Investor contained in this Agreement shall be true and correct when made and as of the Closing (except to the extent such representations and warranties are made as of a particular date, in which case such representations and warranties shall have been true and correct as of such date), except for failures to be true and correct which individually or in the aggregate would not have a material adverse effect on the ability of such Investor to consummate the transactions contemplated hereby;
(b) Each Investor shall have performed, satisfied and complied in all material respects with all of its covenants and agreements set forth in this Agreement to be performed, satisfied and complied with on or prior to the Closing Date;

(c) Each Investor shall have delivered to the Company an officer's certificate certifying as to such Investor's compliance with the conditions set forth in clauses (a) and (b) of this Section 5.3;

(d) Each Investor shall have executed and delivered the Registration Rights Agreement and the Stockholders Agreement to the Company, the Registration Rights Agreement and the Stockholders Agreement shall each be in full force and effect and there shall exist no breach of or default under either of the Registration Rights Agreement or the Stockholders Agreement;

(e) If a Bankruptcy Case is commenced, (i) the Bankruptcy Plan shall have been approved by the Bankruptcy Court pursuant to the Confirmation Order without material modifications or conditions and (ii) the Confirmation Order shall have become final and non-appealable; and

(f) All Regulatory Approvals that are required in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents, shall have been obtained by a Final Order (or waived in whole or in part in a writing executed by the Company, unless such a waiver is prohibited by law), other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect, and all parties shall have complied with the conditions, if any, imposed in connection with the grant of the Regulatory Approvals, other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect; provided that no Investor shall be required to accept or comply with any material condition that would be unreasonably burdensome or that would have a material adverse effect on it or on the value of the Company and shall not be obligated to effect the transactions contemplated by the Transaction Documents if such condition is imposed.

ARTICLE VI
TERMINATION

6.1. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of the Company and each Investor;

(b) by either Investor, but only with respect to its own rights and obligations hereunder and not those of the other Investor, if the Closing shall not have been consummated on or before September 15, 2002; provided, that in the event all of the conditions set forth in Article V other than the condition set forth in Section 5.2(s) regarding Regulatory Approvals hereof shall
have been satisfied or waived by the parties hereto on or before September 15, 2002, then the
termination right set forth in this clause (b) shall not be available to either Investor until the
earlier of (i) January 15, 2003 and (ii) the date on which the Company shall notify each Investor
in writing that the Regulatory Approvals cannot be obtained; provided, further, that in the event
all of the conditions set forth in Article V other than the condition set forth in Section 5.2(s)
regarding Regulatory Approvals hereof shall have been satisfied or waived by the parties hereto
on or before September 15, 2002 and the condition set forth in Section 5.2(s) regarding
Regulatory Approvals hereof shall have been satisfied or waived by the parties hereto in all
respects other than receipt of a Final Order on or before January 15, 2003, then the termination
right set forth in this clause (b) shall not be available to either Investor until the earlier of (i)
March 15, 2003 and (ii) the date on which the Company shall notify each Investor in writing that
the Final Order has been denied; provided, further, that in the event either Investor elects,
pursuant to Section 1.2, to delay the Closing beyond the third day following satisfaction or
waiver of all of the conditions set forth in Article V hereof, any of the dates set forth in this
clause (b), as applicable, shall be extended by the actual number of days of such delay;

(c) by either Investor, but only with respect to its own rights and obligations
hereunder and not those of the other Investor, if the other Investor or the Company shall have
breached any of its respective representations, warranties, covenants or other agreements
contained in this Agreement, which breach constitutes or would reasonably be expected to have a
Material Adverse Effect and cannot reasonably be expected to be cured by the Closing;

(d) by either Investor, but only with respect to its own rights and obligations
hereunder and not those of the other Investor, if any event, circumstance, condition, fact, effect,
or other matter has occurred or exists which (i) would, or would be reasonably likely to give rise
to the failure of any of the conditions to the obligations of such Investor set forth in Section 5.1
or Section 5.2; and (ii) cannot be or has not been cured within 20 days after the giving of written
notice to the Company and the other Investor;

(e) by either Investor, but only with respect to its own rights and obligations
hereunder and not those of the other Investor, if the Company has not complied with its
obligations under Section 6.3(b) relating to obtaining Bankruptcy Court approval of the
Company's obligations to pay the Break-Up Payment and Expenses (including the timing of the
filing of a motion and proposed order related thereto that is acceptable to each Investor in all
respects) or if the Bankruptcy Court has not issued an order approving such obligations, in
substance reasonably satisfactory to such Investor, within 45 days following commencement of
the Bankruptcy Case;

(f) by either Investor if the other Investor has terminated this Agreement;

(g) by either Investor or the Company if a court of competent jurisdiction or
governmental, regulatory or administrative agency or commission shall have issued a final and
nonappealable order, judgment or decree or taken any other action having the effect of
permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this
Agreement;
(h) by the Company if (i) the Board of Directors determines in good faith that termination of this Agreement is necessary in order for the Company to accept any Proposal or (ii) the Bankruptcy Court has ordered the Company to terminate this Agreement in order to accept any Proposal, provided that the Company shall have the right to terminate this Agreement pursuant to clause (i) above only if it has complied in all material respects with all of the provisions of Section 4.13, including the notice provisions thereof, and in any event it shall comply in all material respects with the requirements of Sections 6.3 and 8.2 relating to the payment (including the timing of any payment) of Expenses and the Break-Up Payment prior to termination of this Agreement pursuant to this Section 6.1(h);

(i) by either Investor, but only with respect to its rights and obligations hereunder and not those of the other Investor, if the Company enters into a written agreement with respect to any Proposal;

(j) by the Company, if either Investor terminates its rights and obligations under this Agreement pursuant to this Section 6.1 and the other Investor shall not have agreed, within 10 Business Days of receipt of notice of such termination from the terminating Investor (the delivery of such notice being a condition precedent to any termination under this Section 6.1(j)) to exercise its rights to assume all of the rights and obligations of the terminating Investor pursuant to Section 8.5(b);

(k) by the Company, if the Closing shall not have been consummated on or before the date specified in Section 6.1(b), including the extensions provided for in each of the three provisos contained therein, if applicable;

(l) by the Company, if either Investor shall have breached in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach cannot reasonably be expected to be cured by the Closing; provided, that the non-breaching Investor (if there is one) shall not have agreed, within 10 Business Days of receipt of notice from the Company of the determination that such breach cannot reasonably be expected to be cured by the Closing (the delivery of such notice being a condition precedent to any termination under this Section 6.1(l)), to waive such breach and exercise its rights to assume all of the rights and obligations of the breaching Investor pursuant to Section 8.5(b); and

(m) by the Company, if any material event, circumstance, condition, fact, effect or other matter has occurred or exists which (i) would, or would be reasonably likely to give rise to the failure of any of the conditions to the obligation of the Company set forth in Section 5.1 or 5.3; and (ii) cannot be cured within 20 days after the giving of written notice to each Investor.

6.2. Effect of Termination. Subject to Section 8.5(b), in the event of the termination of this Agreement by any party pursuant to Section 6.1, this Agreement shall forthwith become void as to such terminating party and there shall be no liability on the part of any party hereto (or any stockholder, director, officer, partner, employee, agent, consultant or representative of such party) to the party that has terminated this Agreement, except as set forth in this Section 6.2, provided, that nothing contained in this Agreement shall relieve any party
from liability for any breach of this Agreement; and provided, further, that this Section 6.2 and Sections 7.1, 7.2, 8.1, 8.2, 8.5, 8.6, 8.7, 8.8, 8.11, 8.12, 8.13 and 8.14 shall survive termination of this Agreement by any party.

6.3 Break-Up Payment. (a) The Company shall pay or cause to be paid to each Investor a payment (the "Break-Up Payment") equal to one percent (1%) of the implied, pre-money enterprise value of the Company if the Company proposes to terminate this Agreement under Section 6.1(h) or both Investors elect to terminate this Agreement pursuant to Section 6.1(i). The parties agree that the implied, pre-money enterprise value of the Company shall be determined using the accounting methods and principles and valuation methodology set forth on Schedule 6.3(a). The payment of the Break-Up Payment, in same day funds, to each Investor, shall (i) be a condition precedent to the effectiveness of any termination by the Company of this Agreement under Section 6.1(h) or (ii) be made by the Company promptly, but in no event later than the third Business Day following delivery of notice by either Investor to the Company that either Investor has elected to terminate this Agreement pursuant to Section 6.1(i); provided, however, that in the event the Company is engaged in a Bankruptcy Case, the timing of the payment of the Break-Up Payment shall, in all events, be in accordance with the Break-Up Payment Order.

(b) In the event a Bankruptcy Case is commenced, the Company shall promptly, but in no event later than three Business Days after commencement of such Bankruptcy Case, take all action reasonably necessary to obtain approval from the Bankruptcy Court of the Company's obligation to pay the Expenses and the Break-Up Payment to each Investor in accordance with the terms of this Section 6.3. Any and all motions and other documents filed by the Company in connection with its obligations under this Section 6.3 must be reasonably acceptable to each Investor. Furthermore, to the extent that the Company seeks to establish bidding or similar procedures in connection with any Proposal, such procedures (and any and all motions and other documents filed by the Company in connection therewith) must, subject to applicable fiduciary duties of the Board of Directors, be reasonably acceptable to each Investor in all respects.

(c) The Company acknowledges and agrees that (i) the payment of the Break-Up Payment is an integral part of the transactions contemplated by this Agreement, (ii) in the absence of the Company's obligations to make this payment, neither Investor would have entered into this Agreement and (iii) subject to the proviso to the last sentence of Section 6.3(a), time is of the essence with respect to the payment of the Break-Up Payment. The Company accordingly agrees that in the event that the Company fails to pay the Break-Up Payment in accordance with this Section 6.3 promptly, the Company will, in addition to the payment of such amount, also pay to each Investor all of its reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred by such Investor in the enforcement of its rights under this Section 6.3, together with interest on such amount accruing from the date of such failure at a rate of 10% per annum from the date upon which such payment was due, to and including the date of payment.
ARTICLE VII

SURVIVAL AND LOSSES

7.1. **Survival.** The representations and warranties of the parties hereto contained in this Agreement or in any of the other Transaction Documents shall expire on the three-year anniversary of the Closing Date, except that the representations and warranties set forth in Section 2.13 shall expire on the earlier of (i) the expiration of the statute of limitations applicable to the substance of such representation or warranty or (ii) the five-year anniversary of the Closing Date, in each case except to the extent a party has asserted a claim in accordance with this Article VII for breach of any such representation or warranty prior to the expiration of such period, in which event any representation or warranty to which such claim relates shall survive with respect to such claim until such claim is resolved as provided in this Article VII. After the expiration of such periods, any claim by a party hereto based upon any such representation or warranty shall be of no further force or effect. The covenants and agreements of the parties hereto contained in this Agreement and in any of the other Transaction Documents shall survive the Closing until performed in accordance with their terms.

7.2. **Losses.** (a) The Company shall indemnify, defend and hold harmless each Investor, their Affiliates, and their respective officers, directors, partners, members, managers, employees, agents, representatives, successors and assigns (each an "Investor Covered Person") from and against any and all Losses incurred or suffered by an Investor Covered Person (whether incurred or suffered directly or indirectly through ownership or proposed ownership of Common Stock, membership on the Board of Directors or any committee thereof or otherwise) arising from or in connection with any Litigation threatened, commenced or pending by any direct or indirect stockholder of the Company (whether in the name of the Company or otherwise).

(b) An Investor Covered Person seeking indemnification under this Section 7.2 shall, promptly upon becoming aware of the facts indicating that a claim for indemnification may be warranted, give to the Company a notice of claim relating to such Loss (a "Claim Notice"). Each Claim Notice shall specify the nature of the claim, and, if possible, the amount or the estimated amount thereof. No failure or delay in giving a Claim Notice and no failure to include any specific information relating to the claim (such as the amount or estimated amount thereof) shall affect the obligation of the party from whom indemnification is sought.

ARTICLE VIII

MISCELLANEOUS

8.1. **Defined Terms; Interpretations.** (a) The following capitalized terms, as used in this Agreement, shall have the following meanings:
"Affiliate" shall have the meaning ascribed thereto such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"Agreement" shall have the meaning ascribed thereto in the preamble.

"Amended and Restated Certificate of Incorporation" shall mean the Amended and Restated Certificate of Incorporation attached hereto as Exhibit D, which shall be revised and completed in accordance with Section 4.19.

"Amended Bank Credit Facility" shall mean a bank credit facility under which the Company is the borrower, in effect as of the Closing as a replacement to the Bank Credit Facility, which provides for a term loan or term loans and revolving loans.

"Assuming Investor" shall have the meaning ascribed thereto in Section 8.5(b).

"Bank Credit Facility" shall mean the Credit and Guarantee Agreement, dated as of February 3, 2000, among Nextlink, certain subsidiaries of Nextlink, various Lenders (as defined therein), Goldman Sachs Credit Partners, L.P., as Syndication Agent, Toronto Dominion (Texas), Inc., as Administrative Agent, Barclays Bank plc and The Chase Manhattan Bank, as Co-Documentation Agents, and TD Securities, together with Goldman Sachs Credit Partners, L.P., the Joint Lead Arrangers, and all ancillary agreements entered into pursuant to the terms thereof, each as amended as of the Closing.

"Bankruptcy Case" shall mean all legal proceedings, if any, instituted in a United States Bankruptcy Court in connection with the Restructuring or otherwise involving the Company, and any of its Affiliates, as debtor.


"Bankruptcy Court" shall mean the United States Bankruptcy Court or other U.S. federal court of competent jurisdiction in which the Bankruptcy Case is pending.

"Bankruptcy Plan" shall mean either the Prepackaged Plan or the Pre-negotiated Plan, whichever may be filed in connection with the Bankruptcy Case.

"Board of Directors" shall mean the Board of Directors of the Company.

"Break-Up Payment" shall have the meaning ascribed thereto in Section 6.3(a).

"Break-Up Payment Order" shall mean an order of the Bankruptcy Court approving the Break-Up Payment.

"Business Day" shall mean any day other than a Saturday or Sunday which is not a day on which banking institutions in New York City are authorized or obligated by law or executive order to close.
"Business Plan" shall mean the business plan of the Company, as approved by each Investor prior to the Closing, which approval shall not be unreasonably withheld, and as the same may be amended from time to time in accordance with the Stockholders Agreement.

"Bylaws" shall have the meaning ascribed thereto in Section 5.2(v).

"Capital Lease" shall mean a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Change of Control" shall mean the occurrence of any of the following events:

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total outstanding voting stock of the Company;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors or other governing body of the Company (together with any new directors whose election to such Board of Directors or whose nomination for election by the stockholders of the Company was approved by a vote of 66 2/3% of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved), cease for any reason to constitute a majority of such Board of Directors then in office;

(iii) the Company consolidates with or merges with or into any Person, or any Person consolidates with or merges with or into the Company, and immediately following the consummation of such transaction the holders of the outstanding common stock of the Company immediately prior to such transaction hold less than 50% of the outstanding common stock and the combined voting power of the outstanding voting securities of (x) the surviving Person in such transaction or (y) the Person into whose securities the outstanding common stock of the Company was converted in such transaction or whose securities were otherwise issued to holders of the outstanding common stock of the Company in such transaction;

(iv) the Company sells, transfers, conveys, leases or otherwise disposes of all or substantially all of its assets in one transaction or a series of related transactions; or

(v) the Company is liquidated or dissolved or adopts a plan of liquidation or dissolution.

"Claim Notice" shall have the meaning ascribed thereto in Section 7.2(b).

"Class A Common Stock" shall have the meaning ascribed thereto in Section 1.1.

"Class B Common Stock" shall have the meaning ascribed thereto in Section 2.3.

"Class C Common Stock" shall have the meaning ascribed thereto in Section 1.1.
"Class D Common Stock" shall have the meaning ascribed thereto in Section 1.1.

"Class E Common Stock" shall have the meaning ascribed thereto in Section 4.19(a).

"Closing" shall have the meaning ascribed thereto in Section 1.2(a).

"Closing Date" shall have the meaning ascribed thereto in Section 1.2(a).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commitments" shall have the meaning ascribed thereto in Section 2.11.

"Common Stock" shall have the meaning ascribed thereto in Section 2.3 and shall include, as the context may require, Class A Common Stock, Class B Common Stock and all common stock now or hereafter authorized to be issued (including, without limitation, the Class C Common Stock and Class D Common Stock), and any and all securities of any kind whatsoever of the Company which may be exchanged for or converted into Common Stock, and any and all securities of any kind whatsoever of the Company which may be issued on or after the date hereof in respect of, in exchange for, or upon conversion of shares of Common Stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of the Company or otherwise.

"Communications Act" shall mean the Communications Act of 1934, as amended, and the rules and regulations (including those issued by the FCC) promulgated thereunder.

"Communications License" or "Communications Licenses" shall have the meaning ascribed thereto in Section 2.9(a).

"Company" shall have the meaning ascribed thereto in the preamble.

"Company Licensed Intellectual Property" shall have the meaning ascribed thereto in Section 2.15.

"Company Owned Intellectual Property" shall have the meaning ascribed thereto in Section 2.15.

"Confidential Information" shall have the meaning ascribed thereto in the Forstmann Little Confidentiality Agreement.

"Confirmation Order" shall mean the order entered by the Bankruptcy Court in the Bankruptcy Case confirming the Bankruptcy Plan pursuant to Section 1129 of the Bankruptcy Code. The Confirmation Order shall provide, among other things, that (i) the sale of Common Stock pursuant to this Agreement shall be free and clear of all liens, claims, interests, rights of others or encumbrances of any kind, (ii) an express finding that the Company and each Investor have acted in good faith, and (iii) the issuance of Common Stock to creditors under the Bankruptcy Plan is exempt from registration under the Securities Act.
"Consorts" shall have the meaning ascribed thereto in Section 4.4(a).

"Contractual Management Rights Letter" shall have the meaning ascribed thereto in Section 4.6(b).

"Conversion Shares" shall mean shares of Class A Common Stock issuable upon conversion of the Class C Common Stock and Class D Common Stock into Class A Common Stock pursuant to the Amended and Restated Certificate of Incorporation, and any and all securities of any kind whatsoever of the Company which may be issued on or after the date hereof in respect of, in exchange for, or upon conversion of shares of Class A Common Stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of the Company or otherwise.

"Customer Base" shall mean those Persons to which the Company or the Subsidiaries provide telecommunications service.

"DGCL" shall mean the Delaware General Corporation Law.

"Encumbrance" shall mean, with respect to any Person, any mortgage, lien, pledge, charge, claim, option, proxy, voting trust, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Environmental Law" shall mean any foreign, federal, state or local law, statute, regulation, rule, ordinance, decree, or any other requirement of law (including common law) regulating or relating to the protection of human health and safety or the environment, including, but not limited to, laws relating to releases or threatened releases of Hazardous Materials into the environment.

"Environmental Permits" shall mean all federal, state, local and foreign franchises, approvals, authorizations, franchises, licenses, orders, registrations, certificates, filings, variances, notices and other similar permits or rights obtained from any Governmental Entity, related to any Environmental Law.

"Equity VI" shall mean Forstmann Little & Co. Equity Partnership VI, L.P., a Delaware limited partnership.

"Equity VII" shall have the meaning ascribed thereto in the preamble.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any trade or business, whether or not incorporated, which together with the Company would be deemed a "single employer" within the meaning of Section 4001(b) of ERISA.
"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934, as amended, shall include reference to the comparable section, if any, of any such successor federal statute.

"Expenses" shall have the meaning ascribed thereto in Section 8.2.

"Expired Policies" shall have the meaning ascribed thereto in Section 2.17.

"FCC" shall mean the Federal Communications Commission and any successor Governmental Entity.

"FCC Licenses" shall have the meaning ascribed thereto in Section 2.9(a).

"Final Order" shall mean an order or determination by the FCC or other regulatory authority (including State PUCs) (w) that is not reversed, stayed, enjoined, set aside, annulled or suspended within the deadline, if any, provided by applicable statute or regulation, (x) with respect to which no request for stay, motion or petition for reconsideration, application or request for review, or notice of appeal or judicial petition for review that is filed within the period referred to in clause (w) above is pending, (y) as to which the deadlines, if any, for filing such request, motion, petition, application, appeal or notice have expired, and (z) as to which the deadlines, if any, for the entry by the FCC or other regulatory authority of orders staying, reconsidering or reviewing on its own motion such order or determination have expired; provided, however, that if the statutes and rules applicable to the regulatory authority do not specify deadlines for the regulatory authority to enter such orders, this clause (z) shall not apply to the orders or determinations of that regulatory agency.

"FL Fund" shall mean FL Fund, L.P., a Delaware limited partnership.

"Forebearance Agreement" shall mean that certain Forebearance Agreement, by and between the Company, the lenders under the Senior Credit Facility and certain Subsidiaries of the Company, dated December 14, 2001, as in effect as of the date hereof.

"Foreign Licenses" shall have the meaning ascribed thereto in Section 2.9(a).

"Foreign Competition Approvals" shall mean all consents, authorizations, approvals, waivers, filings and other actions required by any Governmental Entities related to antitrust or competition Laws in connection with the transactions contemplated by this Agreement and the other transactions documents.

"Forstmann Little" shall have the meaning ascribed thereto in the preamble.

"Forstmann Little Confidentiality Agreement" shall mean the Confidentiality Agreement, dated as of September 27, 2001, between the Company and FLC XXXXI Partnership, L.P., a Delaware limited partnership doing business as Forstmann Little & Co., which is an affiliate of Forstmann Little.
"GAAP" shall have the meaning ascribed thereto in Section 2.5.

"Governmental Entity" shall mean any supernational, national, foreign, federal, state or local judicial, legislative, executive, administrative or regulatory body or authority.

"Guaranty" shall mean, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing (whether by reason of being a general partner of a partnership or otherwise) any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such indebtedness or obligation or any property constituting security therefor; (b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance funds for the purchase or payment of such indebtedness or obligation; (c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or (d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof. In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Materials" shall mean any substance or material that is classified or regulated as "hazardous" or "toxic" or similar designation pursuant to any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls, petroleum and urea-formaldehyde insulation.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"Indebtedness" shall mean, with respect to any Person, at any time, without duplication, (a) its liabilities for borrowed money; (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property); (c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases; (d) all liabilities for borrowed money secured by any Encumbrance with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); (e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); (f) Swaps of such Person; and (g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

"Intellectual Property" shall mean the United States and foreign trademarks, service marks, trade names, trade dress, domain names, logos, business and product names, and
slogans including registrations and applications to register or renew the registration of any of the foregoing; copyrights and registrations or renewals thereof; United States and foreign letters patent and patent applications, including all reissues, continuations, divisions, continuations-in-part or renewals or extensions thereof; inventions, processes, designs, formulae, trade secrets, know-how, confidential business and technical information; software and computer programs of any kind whatsoever (including without limitation all modeling software in both source code and object code versions) and all documentation relating thereto; Internet websites; mask works and other semiconductor chip rights and registrations or renewals thereof; and all other intellectual property and proprietary rights, tangible embodiments of any of the foregoing (in any form or medium including electronic media), and licenses of any of the foregoing.

"Investment" shall have the meaning ascribed thereto in Section 1.1.

"Investor Covered Person" shall have the meaning ascribed thereto in Section 7.2(a).

"Investor Press Announcement" shall mean any press releases and public filings made by an Investor between the date hereof and the Closing Date and referring to the Company, the other Investor, this Agreement or any of the other Transaction Documents, or any of the transactions contemplated thereby.

"Investor Reimbursement Cap" shall have the meaning ascribed thereto in Section 8.2.

"Investors" shall have the meaning ascribed thereto in the preamble.

"IRS" shall mean the United States Internal Revenue Service.

"IRU Agreement" shall have the meaning ascribed thereto in Section 2.20(d).

"Knowledge", with respect to the Company, shall mean the knowledge of Daniel F. Akerson, Noelle Beams, Gary D. Begeman, Douglas Carter, Peter Campbell, Mark Coppersmith, Nathaniel Davis, Mark Faris, Reese Feuerman, Nancy Gofus, Scott Macleod, Cathy Massey, Richard Montfort, Wayne Rehberger, Michael Ruley, R. Gerard Salemme, Charles Sackley, Laura Thomas and Joseph Zarella or any such persons and the knowledge that any of the foregoing persons would have after due and reasonable inquiry and investigation.

"Laws" shall mean all foreign, federal, state, and local laws, statutes, ordinances, rules, regulations, orders, judgments, decrees and bodies of law.

"Licenses" shall have the meaning ascribed thereto in Section 2.10.

"Litigation" shall have the meaning ascribed thereto in Section 2.7(a).

"Local Authorizations" shall have the meaning ascribed thereto in Section 2.9(a).
"Losses" shall mean each and all of the following items: claims, losses, (including, without limitation, losses of earnings) liabilities, obligations, payments, damages (actual or punitive but not consequential), charges, judgments, fines, penalties, amounts paid in settlement, costs and expenses (including, without limitation, interest which may be imposed in connection therewith, costs and expenses of investigation, Litigation, demands, assessments and fees, expenses and disbursements of counsel, consultants and other experts).

"Management Shares" shall have the meaning ascribed thereto in Section 4.19.

"Material Adverse Effect" shall have the meaning ascribed thereto in Section 5.2(r).

"Material Terms" shall have the meaning ascribed thereto in Section 4.1(b)(x).

"MBO VII" shall mean Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership VII, L.P., a Delaware limited partnership.

"MBO VIII" shall have the meaning ascribed thereto in the preamble.

"Network Facilities" shall have the meaning ascribed thereto in Section 2.20(b).

"Network Maps" shall have the meaning ascribed thereto in Section 2.20(a).

"New Capitalization" shall mean the total capitalization of the Company as set forth on Exhibit A hereto, including, without limitation, the Management Shares, but excluding shares of Class A Common Stock issued or issuable upon exercise of options issued under the New Employee Stock Option Plan.

"New Common Shares" shall have the meaning ascribed thereto in Section 1.1.

"New Employee Stock Option Plan" shall mean a stock option plan having terms and conditions outlined in Exhibit H hereto, and otherwise reasonably satisfactory in form and substance to each of the Investors.

"New Forstmann Little Shares" shall have the meaning ascribed thereto in Section 1.1.

"New Outstanding Equity" shall mean the total outstanding equity securities of the Company immediately after giving effect to the Restructuring and the Investment, excluding any options outstanding under a New Employee Stock Option Plan approved by the Investors, but including but not limited to, all outstanding Common Stock.

"New Policy" shall have the meaning ascribed thereto in Section 4.1(b)(x).

"New Telmex Shares" shall have the meaning ascribed thereto in Section 1.1.

"Nextlink" shall mean NEXTLINK Communications, Inc., a Delaware Corporation and the predecessor to the Company.
"1999 Stock Purchase Agreement" shall mean the Stock Purchase Agreement, dated as of December 7, 1999, by and between Equity VI, MBO VII, FL Fund, and Nextlink.

"NMS" shall have the meaning ascribed thereto in Section 4.5.

"Old Policy" shall have the meaning ascribed thereto in Section 4.1(b)(x).

"Operational Plan" shall mean the revised financial projections and business plan prepared by the Company and its advisors for presentation to the lenders under the Bank Credit Facility, a copy of which has been provided by the Company to each of the Investors.

"Ordinary Course Litigation" shall mean Litigation arising in the ordinary course of business of the Company and the Subsidiaries relating to the business and operations of the Company and the Subsidiaries which satisfies all of the following criteria:

(i) Such Litigation which would not, or would not reasonably be expected to have, either individually or in the aggregate, (x) a Material Adverse Effect or (y) a material adverse effect upon any officer or director of the Company or upon either Investor or any Affiliate, officer, director, manager, partner, member, stockholder, employee, representative, attorney or agent of either Investor;

(ii) The plaintiffs, claimants or other Persons commencing or pursuing such Litigation do not include any direct or indirect stockholders of the Company or of any Subsidiary or any representatives of any such stockholders suing in such capacity;

(iii) Such Litigation is not, and does not include, in whole or in part, a derivative or similar claim or action brought by or on behalf of, or in the name of, the Company or any Subsidiary;

(iv) Such Litigation does not arise out of or relate to, in whole or in part, the governance or securities regulatory disclosure practices of the Company, the direct or indirect purchase or sale of any debt or equity securities of the Company or any Subsidiary, the Investment or the Restructuring Transaction; and

(v) Such Litigation does not include, in whole or in part, any claim or allegation of (i) breach of fiduciary duty by the Company or any director, officer, employee or stockholder of the Company or (ii) breach of any federal, state or foreign securities or blue sky laws.

"Permitted Encumbrances" shall mean: any Encumbrance (x) permitted under the Bank Credit Facility, (y) permitted under any Amended Bank Credit Facility, or (z) securing Indebtedness ranking pari passu with the Bank Credit Facility or any Amended Bank Credit Facility.

"Person" shall mean any individual, firm, corporation, limited liability company, partnership, company, trust or other entity, and shall include any successor (by merger or otherwise) of such entity.
"Plan" shall mean each collective bargaining agreement, employment agreement or severance agreement, and any bonus, pension, post-retirement benefit, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, medical, dental or other plan, arrangement or understanding providing compensation or benefits generally to current employees, officers, independent contractors, or directors of the Company or any of the Subsidiaries, including without limitation, the Retention Bonus Plan and all other plans, agreements, arrangements and understandings set forth on Schedule 2.14(a)(i).

"Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Pre-negotiated Plan" shall have the meaning ascribed thereto in Section 4.12(a)(iii).

"Prepackaged Approach" shall have the meaning ascribed thereto in Section 4.12(a)(ii).

"Prepackaged Plan" shall have the meaning ascribed thereto in Section 4.12(a)(i)(B).

"Proposal" shall have the meaning ascribed thereto in Section 4.13(a).

"Public Debt" shall mean the Company's (a) 12 1/4% Senior Notes due 2006, (b) 9 5/8% Senior Note due 2007, (c) 9% Senior Note due 2008, (d) 9.45% Senior Discount Notes due 2008, (e) 10 1/4% Senior Notes due 2008, (f) 10 3/4% Senior Notes due 2009, (g) 12 1/4% Senior Discount Notes due 2009, (h) 10 1/4% Senior Notes due 2009, (i) 12 1/8% Senior Discount Notes due 2009, (j) 12 3/4% Senior Notes due 2007, and (k) 5 3/4% Convertible Subordinated Notes due 2009.

"Purchase Price" shall have the meaning ascribed thereto in Section 1.1.

"Registration Rights Agreement" shall have the meaning ascribed thereto in the recitals.

"Regulatory Approvals" shall mean all approvals, consents (including consents to assignments of permits and rights of way), waivers, certificates, and other authorizations required to be obtained from the FCC, any State PUCs or any other federal, state, foreign or municipal communications regulatory agency having jurisdiction over the Company's or either Investor's business in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents.

"Replacement Policies" shall have the meaning ascribed thereto in Section 2.17.

"Required Consents" shall mean such consents or agreements of creditors and security holders as shall be required to effectuate the Restructuring Transaction.

"Restructuring" shall have the meaning ascribed thereto in Section 4.12(a).
"Restructuring Transaction" shall mean any transaction, filing, case, action or event or other series of transactions, filings, cases, actions or events (including, without limitation, an exchange offer, a consent solicitation, a Prepackaged Plan, a Pre-negotiated Plan or any other Bankruptcy Case), whereby the completion of which, as evidenced by a Final Order, if applicable, the Company, in all material respects, shall have effectuated the Restructuring.

"Retention Bonus Plan" shall mean the NEXLINK Communications, Inc. Change of Control Retention Bonus and Severance Pay Plan, as filed with the SEC as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

"SEC" shall mean the United States Securities and Exchange Commission and any successor Governmental Entity.

"SEC Reports" shall have the meaning ascribed thereto in Section 2.4.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Act shall include reference to the comparable section, if any, of such successor federal statute.

"Series A Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Series B Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Series C Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Series D Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Series E Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Series F Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Series G Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Series H Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Stockholders Agreement" shall have the meaning ascribed thereto in the recitals.

"Significant Subsidiaries" shall have the meaning ascribed thereto in Section 2.1(b).

"State Licenses" shall have the meaning ascribed thereto in Section 2.9(a).

"State PUCs" shall mean the state and local public service and public utilities commissions and agencies, commissions, and similar bodies performing similar functions.
"Subsidiaries" shall mean the collective reference to the Significant Subsidiaries and all other direct or indirect subsidiaries of the Company.

"Swaps" shall mean, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency.

"Tax" shall mean any tax, assessment or other governmental charge imposed by any federal, state, provincial, local government or other political subdivision or agency thereof, including any income, alternative minimum, accumulated earnings, personal holding company, franchise, capital stock, profits, windfall profits, gross receipts, sales, use, value added, transfer, registration, stamp, premium, excise, customs duties, severance, real property, personal property, ad valorem, occupancy, license, occupation, employment, payroll, social security, disability, unemployment, workers' compensation, withholding, estimated or other similar tax, assessment or other governmental charge, including penalties, interest and additions thereto.

"Tax Return" shall mean any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

"Telmex" shall have the meaning ascribed thereto in the preamble.

"Telmex Confidentiality Agreement" shall mean the letter agreement, of even date herewith, between Telmex and the Company, regarding the disclosure of information concerning the Company.

"Third Party Consents" shall have the meaning ascribed thereto in Section 2.8.

"Transaction Documents" shall mean this Agreement, the Amended and Restated Certificate of Incorporation, the Bylaws, the Stockholders Agreement, the Registration Rights Agreement, the Bankruptcy Plan, if applicable, and all other contracts, agreements, schedules, certificates and other documents being delivered pursuant to or in connection with this Agreement.

"Transaction Fees" shall have the meaning ascribed thereto in Section 5.2(t).

"Transferring Investor" shall have the meaning ascribed thereto in Section 8.5(b).

"2000 Stock Purchase Agreement" shall mean the Stock Purchase Agreement, dated as of June 14, 2000, by and between Equity VI, MBO VII, FL Fund, and Nextlink.

"2000 10-K" shall have the meaning ascribed thereto in Section 2.1(b).

"2001 Bonus Plan" shall have the meaning ascribed thereto in Section 4.1(b)(xi).

(b) For all purposes of this Agreement, unless otherwise expressly provided or unless the context requires otherwise:
(i) the terms defined in this Section 8.1 and elsewhere in this Agreement may include both the plural and singular, as the context may require;

(ii) the words "herein", "hereof" and "hereby", and other words of similar import, refer to this Agreement as a whole and not to any particular Article, Section or other subdivision of this Agreement;

(iii) unless otherwise specified, references to Articles, Sections, paragraphs, clauses, subclauses, subparagraphs, Exhibits and Schedules are references to Articles, Sections, paragraphs, clauses, subclauses, subparagraphs, Exhibits and Schedules of this Agreement;

(iv) the words "including" and "include" and other words of similar import shall be deemed to be followed by the phrase "without limitation";

(v) any reference herein to a statute, rule or regulation of any governmental entity (or any provision thereof) shall include such statute, rule or regulation (or provision thereof), including any successor thereto, as it may be amended from time to time; and

(vi) whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice versa.

8.2. Fees and Expenses. The Company shall pay, or cause to be paid, to the Investors, all of their reasonable, documented, out-of-pocket costs and expenses incurred in connection with the transactions contemplated by this Agreement and the other Transaction Documents, including, without limitation, all fees and expenses (a) incurred in connection with evaluating such transactions, conducting a due diligence investigation of the Company and the Subsidiaries, negotiating and documenting this Agreement and the other Transaction Documents, taking all actions reasonably necessary or appropriate to consummate such transactions (including, without limitation, the Investment and the Restructuring Transaction) and enforcing any provision of this Agreement or any other Transaction Document, (b) of law firms, investment banking firms, accountants, public relations firms, experts, consultants and all other Persons engaged by an Investor and (c) incurred in connection with any regulatory filings, including filings under the HSR Act, the Communications Act, the Securities Act and the Exchange Act, any foreign antitrust or competition Laws and with the State PUCs and non-U.S. regulatory authorities (collectively "Expenses"); provided that the Company shall have no obligation to reimburse the Investors for any Expenses pursuant to this Section 8.2 in an amount in excess of $14,000,000 in the aggregate (the "Investor Reimbursement Cap"), except that Expenses (including, without limitation, legal fees) incurred by the Investors in enforcing any provision of this Agreement or any other Transaction Document shall not be subject to the Investor Reimbursement Cap. Subject to approval of the Bankruptcy Court, if applicable, the Company shall pay Expenses to an Investor promptly following receipt by the Company of documentation for any such Expenses, which such Investor may, at its option, deliver to the Company on an "as-incurred" basis.
8.3. **Restrictive Legends.** No New Common Shares may be transferred without registration under the Securities Act and applicable state securities laws unless counsel to the Company shall advise the Company that such transfer may be effected without such registration. Each certificate representing any of the foregoing shall bear legends in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS.

8.4. **Further Assurances.** At any time or from time to time after the Closing, the Company, on the one hand, and each Investor, on the other hand, agree to cooperate with each other, and at the request of the other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby or by the other Transaction Documents and to otherwise carry out the intent of the parties hereunder or thereunder.

8.5. **Successors and Assigns.** (a) This Agreement shall bind and inure to the benefit of the Company and each Investor and their respective successors, permitted assigns, heirs and personal representatives, provided that the Company may not assign its rights or obligations under this Agreement to any Person without the prior written consent of each Investor, and provided, further, that neither Investor may assign its rights or obligations under this Agreement to any Person without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed; provided, further, that notwithstanding the foregoing, either Investor may assign its rights and obligations hereunder to one of its Affiliates; provided, that no such assignment to an Affiliate shall release the party making such assignment from any of its obligations under this Agreement. For the purpose of clarity, the Company may withhold consent to any transfer by either Investor to any Person (including without limitation, an Affiliate of such Investor), if such assignment would reasonably be expected to result in the Company incurring a significant delay in obtaining the Regulatory Approvals.

(b) Notwithstanding anything to the contrary contained in Section 8.5(a) or elsewhere in this Agreement, if (i) one Investor (but not both Investors) terminates this Agreement pursuant to Section 6.1(b), 6.1(c), 6.1(d), 6.1(e), 6.1(i) or 6.1(n) or (ii) the Company proposes to terminate this Agreement pursuant to Section 6.1(l) as a result of a breach of a representation, warranty, covenant or other agreement made by one Investor in this Agreement, the non-terminating Investor in the case of clause (i) above and the non-breaching Investor in the case of clause (ii) above (such non-terminating Investor or such non-breaching Investor, the "Assuming Investor") shall have the right, in its sole discretion, without the consent of the

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terminating Investor in the case of clause (i) above or the breaching Investor in the case of clause (ii) above (such terminating Investor or such breaching Investor, the "Transferring Investor") or, in the case of clauses (i) and (ii) above, the Company, to assume the rights and obligations of the Transferring Investor under this Agreement and the other Transaction Documents to which it is a party and, except as expressly provided in Section 6.1(i), the Company shall have no right to terminate this Agreement or any other Transaction Document solely as a result thereof; provided, however, that an Assuming Investor shall have no obligation or liability to the Company or any other Person for any breach by the Transferring Investor of any representation, warranty, covenant or agreement made by such Transferring Investor pursuant to this Agreement or any other Transaction Document; and provided further that the Company shall have no right to terminate this Agreement as a result of any breach by the Assuming Investor of any representation, warranty, covenant or agreement made by such Assuming Investor pursuant to this Agreement or any other Transaction Document which breach arises solely as a result of the termination of this Agreement by the Transferring Investor.

8.6. **Entire Agreement.** This Agreement and the other Transaction Documents and paragraph 4 of the Letter Agreement, dated November 21, 2001, between Telmex and Forstmann Little & Co. contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or understandings with respect thereto; provided, that the Forstmann Little Confidentiality Agreement and the Telmex Confidentiality Agreement will remain in full force and effect in accordance with their terms.

8.7. **Notices.** All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by telecopy, nationally recognized overnight courier or first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by such party to the other parties:

(i) if to the Company, to:

XO Communications, Inc.
11111 Sunset Hills Road
Reston, VA 20190
Attn: Gary D. Begeman, Esq.

with a copy to:

Willkie Farr & Gallagher
787 Seventh Avenue
New York, NY 10019
Telecopy: (212) 728-8111
Attn: Bruce R. Kraus, Esq.

(ii) if to Forstmann Little, to:
c/o Forstmann Little & Co.
767 Fifth Avenue
New York, NY 10153
Attention: Sandra J. Horbach

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004
Telecopy: (212) 859-4000
Attention: Stephen Fraidin, Esq.

(iii) if to Telmex, to:

Teléfonos de México, S.A. de C.V.
Parque Via 190, Piso 10
Colonia Cuauhtémoc
06599 México, D.F.
Attention: Lic. Javier Mondragon Alarcon

with a copy to:

Latham & Watkins
885 Third Avenue
Suite 1000
New York, NY 10022-4802
Telecopy: (212) 751-4864
Attention: Charles M. Nathan, Esq.

All such notices, requests, consents and other communications shall be deemed to have been given or made if and when delivered personally or by overnight courier to the parties at the above addresses or sent by electronic transmission, with confirmation received, to the telecopy numbers specified above (or at such other address or telecopy number for a party as shall be specified by like notice). Any notice delivered by any party hereto to any other party hereto shall also be delivered to each other party hereto simultaneously with delivery to the first party receiving such notice.

8.8. Amendments. The terms and provisions of this Agreement may be modified or amended, or any of the provisions hereof waived, temporarily or permanently, in a writing executed and delivered by the Company and each Investor. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar). No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.
8.9. **Counterparts.** This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

8.10. **Headings.** The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

8.11. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW, OTHER THAN THE CHOICE OF LAW PRINCIPLES OF SUCH STATE.

8.12. **Submission to Jurisdiction.** Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware and of the United States of America, in each case located in New Castle County, for any Litigation arising out of or relating to this Agreement or the other Transaction Documents and the transactions contemplated hereby and thereby (and agrees not to commence any Litigation relating hereto or thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in this Agreement shall be effective service of process for any Litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of this Agreement or the transactions contemplated hereby in the courts of the State of Delaware or the United States of America, in each case located in the New Castle County, hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum.

8.13. **Waiver Of Jury Trial.** THE COMPANY AND THE INVESTORS HEREBY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS.

8.14. **Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement
as of the date first above written.

**Investors**

**FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP VII, L.P.**

By: FLC XXXII Partnership, L.P.
its general partner

By: 

[Signature]

Name: Sandra J. Horbach
Title: General Partner

**FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT
BUYOUT PARTNERSHIP VIII, L.P.**

By: FLC XXXIII Partnership, L.P.
its general partner

By: 

[Signature]

Name: Sandra J. Horbach
Title: General Partner

**TELÉFONOS DE MÉXICO, S.A. DE C.V.**

By: 

[Signature]

Name: 
Title: 

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

Investors

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP VII, L.P.

By: FLC XXXII Partnership, L.P.
   its general partner

By: ____________________________
   Name: Sandra J. Horbach
   Title: General Partner

FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP VIII, L.P.

By: FLC XXXIII Partnership, L.P.
   its general partner

By: ____________________________
   Name: Sandra J. Horbach
   Title: General Partner

TELÉFONOS DE MÉXICO, S.A. DE C.V.

By: ____________________________
   Name: Francisco Javier Mondragon
   Title: General Counsel
XO COMMUNICATIONS, INC.

By: [Signature]
Name: Daniel F. Akerson
Title: Chairman and Chief Executive Officer
EXHIBIT A

to Stock Purchase Agreement
Exhibit A
The New Capitalization

Upon Closing, the complete capitalization of the Company, after giving effect to (i) the Restructuring, (ii) the issuance of the Management Shares and (iii) the other transactions contemplated by the Stock Purchase Agreement of which this Exhibit is a part and to which it is attached, but excluding any options issued under the New Employee Stock Option Plan or any shares of Class A Common Stock issued or issueable upon exercise of such options, shall be as follows:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Ownership of the Company¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Cash</td>
<td>If the Closing occurs at any time during a period specified below, the Company’s unrestricted cash upon Closing shall not be less than the amount set forth opposite such period:²</td>
</tr>
<tr>
<td>Period</td>
<td>Unrestricted Cash</td>
</tr>
<tr>
<td>From the date hereof through and including March 31, 2002</td>
<td>$486 million</td>
</tr>
<tr>
<td>From April 1, 2002 through and including June 30, 2002</td>
<td>$335 million</td>
</tr>
<tr>
<td>From July 1, 2002 through and including September 30, 2002</td>
<td>$192 million</td>
</tr>
<tr>
<td>From October 1, 2002 through and including the Closing</td>
<td>$70 million</td>
</tr>
<tr>
<td>Aggregate Indebtedness³</td>
<td>Not to exceed $1.034 billion</td>
</tr>
</tbody>
</table>

¹ Without giving effect to New Employee Stock Option Plan.

² The amounts set forth below are exclusive of any and all Transaction Fees payable during such period, provided that in no event shall the total aggregate amount of all Transaction Fees exceed the amount set forth in Section 5.2(t).

³ For purposes of this Exhibit A, "Indebtedness" means all indebtedness of the Company and its subsidiaries for borrowed money and all liabilities appearing on the Company’s balance sheet in accordance with GAAP in respect of Capital Leases. "Indebtedness" does not include intercompany debt or accrued interest.
<table>
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<th>Description</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
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<tr>
<td>Forstmann Little's New Equity (79,999,998 shares of Class A Common Stock and two shares of Class D Common Stock)</td>
<td>$400 million</td>
<td>40.00%</td>
</tr>
<tr>
<td>Telmex's New Equity (80,000,000 shares of Class C Common Stock)</td>
<td>$400 million</td>
<td>40.00%</td>
</tr>
<tr>
<td>Management Shares (up to 4,000,000 shares of Class E Common Stock)⁴</td>
<td>approximately $7.0 million⁵</td>
<td>2.00%⁶</td>
</tr>
<tr>
<td>Other Equity Holders (up to 36,000,000 shares of Class A Common Stock)</td>
<td>$180 million⁷</td>
<td>18.00%</td>
</tr>
</tbody>
</table>

---

⁴ See generally Exhibit G for the rights and preferences of the Class E Common Stock.

⁵ This figure is subject to change within the range set forth on Exhibit G. Any change to this figure may affect the percentage of the outstanding Common Stock represented by the Management Shares and the percentage of the outstanding Common Stock acquired by Forstmann Little and Telmex in the Investment but shall not affect the percentage of the outstanding Common Stock allocable to the other equity holders as set forth above.

⁶ See footnote no. 5 above.

⁷ Implied valuation.
STOCKHOLDERS AGREEMENT

by and among

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP-VII, L.P.

FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP-VIII, L.P.

[TELEFONOS DE MEXICO, S.A. de C.V.]

and

XO COMMUNICATIONS, INC.

dated as of

_______________, 2002
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STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT (this "Agreement") is made as of______, 2002, by and among FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP-VII, L.P., a Delaware limited partnership ("Equity VII"), FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP-VIII, L.P., a Delaware limited partnership ("MBO VIII" and collectively with Equity VII and their Permitted Transferees, "Forstmann Little"), [TELEFONOS DE MEXICO, S.A. de C.V., a sociedad anonima de capital variable organized under the laws of the United Mexican States] (together with its Subsidiaries and its Permitted Transferees, "Telmex" and Telmex and Forstmann Little sometimes being hereinafter collectively referred to as the "Investors" and individually as an "Investor") and XO Communications, Inc., a Delaware corporation ("XO" or the "Company").

WITNESS ETH:

WHEREAS, the Company and the Investors are parties to that certain Stock Purchase Agreement, dated as of January 15, 2002 (the "Stock Purchase Agreement") pursuant to which Forstmann Little is purchasing ________ shares of Class A Common Stock, par value $0.01 per share, of the Company ("Class A Common Stock"), and two shares of Class D Common Stock, par value $0.01 per share, of the Company ("Class D Common Stock") and Telmex is purchasing ________ shares of Class C Common Stock, par value $0.01 per share, of the Company ("Class C Common Stock", together with the Class A Common Stock and Class D Common Stock sometimes being hereinafter collectively referred to as "Common Stock");

WHEREAS, the Stock Purchase Agreement contemplates that the parties hereto will enter into this Agreement and the parties hereto deem it to be in their best interests to establish and set forth their agreement with respect to certain rights and obligations associated with ownership of Common Stock;

WHEREAS, the execution and delivery of this Agreement is a condition to the closing of the Stock Purchase Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1. Definitions. Capitalized terms used in this Agreement shall have the meanings set forth in Annex A.

1.2. General Interpretation. For all purposes of this Agreement, unless otherwise expressly provided or unless the context requires otherwise:
(a) the terms defined in Annex A to this Agreement may include both the plural and singular, as the context may require;

(b) the words “herein”, “hereof” and “hereby”, and other words of similar import, refer to this Agreement as a whole and not to any particular Article, Section or other subdivision of this Agreement;

(c) unless otherwise specified, references to Articles, Sections, clauses, subclauses, subparagraphs, Annexes and Schedules are references to Articles, Sections, clauses, subclauses, subparagraphs, Annexes and Schedules of this Agreement;

(d) the words “including” and “include” and other words of similar import shall be deemed to be followed by the phrase “without limitation”;

(e) any reference herein to a statute, rule or regulation of any governmental entity (or any provision thereof) shall include such statute, rule or regulation (or provision thereof), including any successor thereto, as it may be amended from time to time; and

(f) whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice versa.

ARTICLE II

CORPORATE GOVERNANCE

2.1. Board of Directors. The total number of authorized directors constituting the Board of Directors of the Company from time to time (each, a “Director” and collectively, the “Board of Directors” or the “Board”) shall be determined in the manner specified by the By-laws. Each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, all action necessary to cause the By-laws to provide that, prior to the Board Representation Date, the Board of Directors shall be fixed at twelve and, at and after the Board Representation Date, the Board of Directors may be expanded to include a greater number of Directors as set forth in Section 2.2(d). The initial Directors shall be those individuals determined pursuant to Section 2.5. Thereafter, the Directors shall be elected annually in accordance with the Certificate of Incorporation, By-laws and this Article II.

2.2. Election of Directors. (a) Prior to the Board Representation Date, so long as Forstmann Little Beneficially Owns shares of Common Stock representing at least 10% of the outstanding shares of Common Stock, Forstmann Little shall have the right to appoint or nominate to the Board of Directors such number of Directors, equal to the sum of (A) (i) a fraction in which the numerator is the total number of outstanding shares of Common Stock Beneficially Owned by Forstmann Little, and the denominator is the total number of shares of Common Stock outstanding, multiplied by (ii) the total number of Directors on the Board of Directors, rounded up to the nearest whole number, plus (B) (i) a fraction in which the numerator is the total number of outstanding shares of Common Stock Beneficially Owned by Telmex, and the denominator is the total number of shares of Common Stock outstanding multiplied by (ii)
the total number of Directors on the Board of Directors, rounded up to the nearest whole number; provided, however, that Forstmann Little shall, in connection with such appointment or nomination, include among its appointees or nominees, if so requested by Telmex by written notification, the Telmex Independent Designees. At the Board Representation Date, Telmex shall cause the Telmex Independent Designees nominated pursuant to this Section 2.2(a) to resign from the Board and such Directors shall thereafter be replaced in accordance with Section 2.2(b) or Section 2.3, as applicable. The Directors nominated or appointed by Forstmann Little pursuant to Article II (other than Telmex Independent Designees) are referred to herein individually as a "Forstmann Little Designee" or collectively as the "Forstmann Little Designees." The Directors appointed or nominated by Telmex pursuant to Article II (including the Telmex Independent Designees) are referred to herein individually as a "Telmex Designee" or collectively as the "Telmex Designees." The Forstmann Little Designees and the Telmex Designees are sometime referred to herein individually as an "Investor Designee" or collectively as the "Investor Designees."

(b) At and after the Board Representation Date, so long as an Investor Beneficially Owns shares of Common Stock representing at least 10% of the outstanding shares of Common Stock, such Investor shall have the right to appoint or nominate to the Board of Directors such number of Directors, rounded up to the next whole number, equal to the product of (i) a fraction in which the numerator is the total number of outstanding shares of Common Stock Beneficially Owned by such Investor, and the denominator is the total number of shares of Common Stock outstanding, multiplied by (ii) the total number of Directors on the Board of Directors.

(c) At each annual meeting of stockholders held at which the term of office of one or more Directors expires, the Company shall nominate the Forstmann Little Designees and the Telmex Designees to serve as Directors and shall include such Directors in the slate of nominees recommended by the Board to stockholders for election as Directors; provided that, if any such person declines or is unable to accept the nomination, and if Forstmann Little or Telmex, as the case may be, determines to designate another person, the Company shall nominate and include in such slate of nominees such other person designated by Forstmann Little or Telmex, as the case may be.

(d) Each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, all action necessary to cause the Board to include, in addition to the Investor Designees, the Chief Executive Officer of the Company and such number of other independent Directors (the "Independent Directors") as shall be required by any stock exchange or quotation system on which the Common Stock is quoted or listed. The initial Independent Directors shall be approved by each of the Investors.

(e) At each such time after the Closing Date as the percentage Beneficial Ownership in the Company of an Investor is increased or decreased, the number of Investor Designees to be designated by such Investor shall be recalculated in accordance with the procedure set forth in Section 2.2(a). Any change resulting from the application of this Section 2.2(e) shall be effected on the earlier to occur of (x) the first meeting of stockholders of the Company following the determination of such change, and (y) the first meeting of the Board of Directors following the determination of such change.
2.3. **Board Vacancies.** (a) Each Investor Designee shall hold office until his or her death, resignation or removal or until his or her successor shall have been duly elected and qualified. If any Forstmann Little Designee shall cease to serve as a Director of the Company (and any committee thereof) for any reason, each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, such action as is necessary so that the vacancy resulting thereby can be filled by another person designated by Forstmann Little in accordance with this Agreement. If any Telmex Designee shall cease to serve as a Director of the Company (and any committee thereof) for any reason, each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, such action as is necessary so that the vacancy resulting thereby can be filled by another person designated by Telmex in accordance with the terms of this Agreement. Any Director appointed (or nominated and elected) to replace another Director shall serve for the remainder of the term of the Director being replaced, subject to earlier death, resignation or removal or until his successor shall have been duly elected and qualified. In the event that at any time during the term of this Agreement there exist vacancies on the Board due to the death, resignation or removal of an Investor Designee, each of the Investors agrees to use its best efforts to designate successors to fill any such vacancies as promptly as practicable, but in no event later than the 30th day following such vacancy (the period from the first date of such vacancy until the earlier to occur of the filing of such vacancy or the 30th day thereafter, the "Vacancy Period"); provided, however, that if such vacancy is not filled during such 30-day period, the Investor that has the right to fill such vacancy may do so at any time following such 30-day period. During the Vacancy Period, no action (except for such Board actions as are required to fill such vacancy in accordance with the terms of this Agreement) may be taken by the Board until such vacancy is filled or this requirement is waived by the Investor that has the right to fill such vacancy. Each Independent Director shall hold office until his or her death, resignation or removal or until his or her successor shall have been duly elected and qualified. If any Independent Director shall cease to serve as a Director of the Company (and any committee thereof) for any reason, the vacancy resulting thereby shall be filled by another person selected by the Board of Directors in accordance with the By-laws and approved by each of the Investors.

(b) No Forstmann Little Designee may be removed from office except by Forstmann Little and no Telmex Designee may be removed from office except by Telmex. Forstmann Little shall have the right to remove any Forstmann Little Designee, and Telmex shall have the right to remove any Telmex Designee, in each case, with or without cause, at any time.

2.4. **Quorum Requirements.** During such time as Forstmann Little Beneficially Owns shares of Common Stock representing at least 10% of the outstanding shares of Common Stock, the Board of Directors may not take any action unless a quorum consisting of at least one Forstmann Little Designee is present and during such time as Telmex Beneficially Owns shares of Common Stock representing at least 10% of the outstanding shares of Common Stock, the Board of Directors may not take any action unless a quorum consisting of at least one Telmex Designee (which, prior to the Board Representation Date, shall be a Telmex Independent Designee, to the extent a Telmex Independent Designee has been designated pursuant to Section 2.2(a)) is present.

2.5. **Initial Directors; Certificate of Incorporation and By-laws.** (a) The initial Directors of the Company shall consist of those individuals selected by the mutual written
agreement of the Investors and the Company (consistent with the procedures set forth in Section 2.2) prior to the Closing Date. Each Investor, by its execution and delivery of this Agreement, shall be deemed to have ratified and approved the appointment of the initial Directors. Subject to Section 2.2(e), each of the initial Directors shall serve in such office until the first annual stockholders meeting (or until his earlier death, resignation or removal or until his successor shall have been duly elected and qualified).

(b) On the Closing Date, the Certificate of Incorporation and By-laws of the Company shall be substantially in the forms appended as Annex B and C hereto.

2.6. Veto Rights. So long as (i) an Investor Beneficially Owns shares of Class A Common Stock representing at least 20% of the outstanding shares of Common Stock and (ii) no Major Event or Acquisition has occurred, the approval of at least one Director nominated or appointed by such Investor shall be required before the Company may take any of the following actions:

(i) amend, alter or repeal the Certificate of Incorporation or By-Laws, or any part thereof, or amend, alter or repeal any constituent instruments of any Company Subsidiary, or any part thereof;

(ii) enter into any transaction with any Affiliate (other than a wholly owned Subsidiary of the Company), officer, director or stockholder of the Company, except for compensation and benefits paid to Directors and Officers in the ordinary course of business and other than those entered into concurrently with or prior to the Closing Date;

(iii) file any voluntary petition for bankruptcy or for receivership (including a voluntary petition for the liquidation, dissolution or winding up of the Company or any of its Subsidiaries other than a liquidation of a Subsidiary in which all the assets of the liquidating Subsidiary are distributed to the Company or another Subsidiary of the Company) or make any assignment for the benefit of creditors;

(iv) adopt any stockholder rights plan or other anti-takeover provisions in any document or instrument; or

(v) issue or agree to issue any Preferred Stock.

2.7. Committees. (a) Subject to Section 2.7(b), the federal securities laws, and the rules and regulations of the SEC and any stock exchange or quotation system on which the Common Stock is quoted or listed, so long as an Investor Beneficially Owns shares of Common Stock representing at least 10% of the outstanding shares of Common Stock, each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, all action necessary to provide that at least one of the Director designees of such Investor (which, as to Telmex, prior to the Board Representation Date, shall be a Telmex Independent Designee, to the extent that a Telmex Independent Designee has been designated pursuant to Section 2.2(a)) shall be entitled to sit on each committee of the Board and each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, all action necessary to cause such designee to be
appointed to each of the committees of the Board as may be requested at any time or from time
to time by Forstmann Little or Telmex, as the case may be.

(b) Each Investor shall take, or cause to be taken, and shall use its reasonable
best efforts to cause the Company to take, or cause to be taken, all action necessary to provide
that the Board of Directors shall annually, during the term of this Agreement, appoint an
Executive Committee which shall be comprised of five members, including the Chief Executive
Officer of the Company. Prior to the Board Representation Date, Forstmann Little shall have the
right to have (i) three of its Director designees on the Executive Committee so long as Forstmann
Little Beneficially Owns shares of Common Stock representing 15% or more of the outstanding
shares of Common Stock or (ii) two of its Director designees on the Executive Committee so
long as Forstmann Little Beneficially Owns shares of Common Stock representing at least 10%
of the outstanding shares of Common Stock but less than 15% of the outstanding shares of
Common Stock. Prior to the Board Representation Date, Telmex shall have the right to have one
Telmex Independent Designee (to the extent a Telmex Independent Designee has been
designated pursuant to Section 2.2(a)) on the Executive Committee so long as Telmex
Beneficially Owns shares of Common Stock representing at least 10% of the outstanding shares
of Common Stock. After the Board Representation Date, each Investor shall have the right to
have (i) two of its Director designees on the Executive Committee so long as such Investor
Beneficially Owns shares of Common Stock representing 15% or more of the outstanding shares
of Common Stock or (ii) one of its Director designees on the Executive Committee so long as
such Investor Beneficially Owns shares of Common Stock representing at least 10% of the
outstanding shares of Common Stock but less than 15% of the outstanding shares of Common
Stock. The initial Executive Committee shall consist of the Chief Executive Officer of the
Company, three Forstmann Little Designees and one Telmex Independent Designee.

(c) The Company shall not, and each Investor shall cause the Company to not,
directly or indirectly, and shall not permit any of the Company’s Subsidiaries to, directly or
indirectly, take any of the following actions (except to the extent any such action is specifically
authorized under the Transaction Documents) without the approval of (x) prior to the Board
Representation Date, at least three-fifths of the members of the Executive Committee, or (y) at
and after the Board Representation Date, at least two-thirds of the members of the Executive
Committee:

(i) adopt a new Business Plan, materially modify the Business Plan or take any
action that would constitute a material deviation from the Business Plan;

(ii) approve or recommend a Major Event;

(iii) acquire, by purchase, merger or otherwise, in one transaction or a series of
related transactions, any equity or other ownership interest in, or assets of, any Person in
exchange for consideration with a Fair Market Value greater than $100 million;

(iv) authorize for issuance or issue any equity securities or Equity Derivative
Securities in one transaction or a series of related transactions with a Fair Market Value at the
time of issuance in excess of $100 million (excluding any Permitted Benefit Plan Issuance);
(v) purchase, redeem, prepay, acquire or retire for value any shares of its capital stock or securities exercisable for or convertible into shares of its capital stock other than as required under the terms of such capital stock or securities;

(vi) declare, incur any liability to declare, or pay any dividends, or make any distributions in respect of, any shares of its capital stock other than as required under the terms of such capital stock;

(vii) redeem, retire, defease, offer to purchase or change any material term, condition or covenant in respect of outstanding long-term Indebtedness other than as required under the terms of such Indebtedness;

(viii) incur Indebtedness in one transaction or a series of related transactions in excess of $100 million in aggregate principal amount (other than intercompany Indebtedness and Indebtedness outstanding as of the Closing Date (and borrowings pursuant to the terms thereof), and any amendment or refinancing of such Indebtedness in a principal amount not exceeding the principal amount so refinanced and on financial and other terms no less favorable to the Company than such outstanding Indebtedness);

(ix) make any material change in its accounting principles or practices (other than as required by GAAP or recommended by the Company’s outside auditors), or remove the Company’s outside auditors or appoint new auditors; or

(x) appoint, or terminate or modify the terms of the employment of, any member of the Company’s senior management as set forth on Annex E, and any of their successors or replacements, and any other persons of a similar level of authority and responsibility in the organizational structure who are appointed after the date hereof.

Notwithstanding the foregoing, if any of the matters referred to in this Section 2.7(c) are proposed to but not approved by the requisite three-fifths majority (or, at and after the Board Representation Date, the requisite two-thirds majority) of the Executive Committee, then the Investor Designees on the Executive Committee shall attempt in good faith to resolve any objections any such Investor Designee may have to the proposal and, if the Investor Designees on the Executive Committee are unable to resolve in good faith the disagreement within 30 days after the Executive Committee meeting at which the matter was not approved, any member of the Executive Committee shall be entitled to present such issue to the Board of Directors where the issue may be adopted or rejected by a majority vote of the Board of Directors.

(d) Each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, all action necessary to cause the Board to annually, during the term of this Agreement, appoint an Audit and a Compensation Committee.

2.8. Executive Officers. Each Investor shall take, or cause to be taken, and shall use its reasonable best efforts to cause the Company to take, or cause to be taken, all action necessary to cause the Board of Directors to appoint a Chief Executive Officer and such other officers of the Company ("Officers") as it may determine from time to time pursuant to the By-laws. Such Officers shall serve subject to the pleasure of the Board of Directors.
2.9. Directors' Indemnification.

(a) For a period of at least six years after the Closing Date, the Company shall obtain and cause to be maintained in effect, with financially sound insurers, either (i) the current policy of directors' and officers' liability insurance maintained by the Company (provided that the Company may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are no less advantageous in any material respect to the insured parties thereunder) with respect to claims arising from facts or events that occurred at or before the Closing Date (including consummation of the Investment and the Restructuring), or (ii) a run-off (i.e., "tail") policy or endorsement with respect to the current policy of directors' and officers' liability insurance covering claims asserted within six years after the Closing Date arising from facts or events that occurred at or before the Closing Date (including consummation of the Investment and the Restructuring); and such policies or endorsements shall name as insureds thereunder all present and former directors and officers of the Company or any of its Subsidiaries.

(b) The Company shall obtain and cause to be maintained in effect, with financially sound insurers, a policy of directors' and officers' liability insurance covering all present and former directors and officers of the Company or any of its Subsidiaries and, to the extent available, the Telmex Observers (and their respective successors) in an amount and upon such terms as are reasonably acceptable to the Investors. The Company shall enter into indemnification agreements in customary form with each member of the Board of Directors and each Telmex Observer.

(c) The Certificate of Incorporation, By-laws and other organizational documents of the Company and each of its Subsidiaries shall at all times, to the fullest extent permitted by law, provide for indemnification of, advancement of expenses to, and limitation of the personal liability of, present and former directors and officers of the Company, and the present and former members of the boards of directors or other similar managing bodies of each of the Company's Subsidiaries and such other persons, if any, who, pursuant to a provision of such Certificate of Incorporation, By-laws or other organizational documents, exercise or perform any of the powers or duties otherwise conferred or imposed upon members of the Board or the boards of directors or other similar managing bodies of each of the Company's Subsidiaries. Such provisions may not be amended, repealed or otherwise modified in any manner adverse to any present or former directors and officers of the Company or any present or former member of the boards of directors or other similar managing bodies of any of the Company's Subsidiaries, until at least six years following the termination of this Agreement.

(d) Each member of the Board of Directors, each officer of the Company and each Telmex Observer is intended to be a third-party beneficiary of the obligations of the Company pursuant to this Section 2.9, and the obligations of the Company pursuant to this Section 2.9 shall be enforceable by the members of the Board of Directors, the officers of the Company or the Telmex Observers, as applicable.

2.10. Expenses. The Company shall pay the reasonable out-of-pocket expenses incurred by each of the members of the Board of Directors and the Telmex Observers in connection with performing his or her duties, including without limitation the reasonable out-of-
pocket expenses incurred by such person attending meetings of the Board or any committee thereof or meetings of any board of directors or other similar managing body (and any committee thereof) of any Subsidiary of the Company.

2.11. Non-Voting Observer. Prior to the Board Representation Date and so long as Telmex Beneficially Owns shares of Common Stock representing 10% or more of the outstanding shares of Common Stock, Telmex shall have the right to designate up to two non-voting observers to the Board of Directors (each a "Telmex Observer" and, collectively, the "Telmex Observers"). The Telmex Observers shall have the same access to information concerning the business and operations of the Company and at the same time as the Directors of the Company, shall be entitled to receive notice of, and to be present at, all regular and special meetings of the Board of Directors, and any meeting of a committee thereof, and shall be entitled to participate in discussions and consult with, and make proposals and furnish advice to, the Board of Directors, and the various committees thereof, but shall not have any right to vote at such meetings. The Telmex Observers shall not be considered a "Director" of the Company for any purposes hereunder, under the By-laws or otherwise.

2.12. Consultation Rights. Prior to the Board Representation Date, Forstmann Little shall consult with representatives of Telmex at least monthly at mutually agreeable times regarding the business, finances and prospects of the Company, including, without limitation, the matters considered by the Executive Committee pursuant to Section 2.7(c) and the matters considered by the Investors pursuant to Section 2.6; provided, however, that the information provided to Telmex in connection with such consultations shall not include information that Forstmann Little's antitrust counsel has determined in their sole discretion should not be the subject of such consultations because providing such information to Telmex could reasonably be expected to constitute a violation of applicable antitrust laws.

ARTICLE III

CERTAIN COVENANTS

3.1. Voting. (a) Forstmann Little shall vote all shares of Common Stock over which it exercises voting power in favor of the election of the Telmex Designees and Telmex shall vote all shares of Common Stock over which it exercises voting power in favor of the election of the Forstmann Little Designees, in each case to the extent they have been nominated consistently with this Agreement. Each Investor shall take such further action as shall be necessary to comply with the terms of this Agreement and to cause the Investor Designees to be elected as Directors in accordance with this Agreement (including, to the extent consistent with this Agreement and applicable law, causing their respective designees on the Board to nominate, and recommend to the stockholders of the Company the election of the Investor Designees and opposing, and causing their respective designees on the Board to oppose, any proposal to remove an Investor Designee at each meeting of the stockholders of the Company at which the election or removal of members of the Board is on the agenda).

(b) Each Investor shall vote all shares of Common Stock over which it may exercise voting power, and each Investor and the Company shall take all other actions necessary and appropriate, to ensure that the Certificate of Incorporation and By-laws do not at any time
conflict with the provisions of this Agreement and shall not vote to approve (or consent to the approval of) any amendment to the Certificate of Incorporation and By-laws which would be inconsistent with this Agreement.

3.2. Cooperation. (a) Each Investor shall vote all shares of Common Stock over which it exercises voting power and shall take all other necessary or desirable actions within its control (including, without limitation, attending all meetings in person or by proxy for purposes of obtaining a quorum and executing all written consents in lieu of meetings, as applicable), and the Company shall take, and each Investor shall use its reasonable best efforts to cause the Company to take, all necessary and desirable actions within its control (including, without limitation, calling special Board and stockholder meetings), to effectuate the provisions of Article II.

(b) Each Investor agrees that it shall not commence any claim, action, suit or proceeding against the Company under any of the Transaction Documents without providing the other Investors with prior written notice thereof.

3.3. Restrictions on other Agreements. No Investor shall grant any proxy or enter into or agree to be bound by any voting trust with respect to the Common Stock other than those granted or established by this Agreement, nor shall any Investor enter into any stockholder agreement or arrangements of any kind with any Person with respect to the Common Stock, on terms that are inconsistent with the provisions of this Agreement, or that would interfere with the ability of any Investor to comply with the provisions of this Agreement, including agreements or arrangements with respect to the acquisition, disposition or voting shares of Common Stock on terms that are inconsistent with the provisions of this Agreement, or that would interfere with the ability of any Investor to comply with the provisions of this Agreement.

3.4. Right of First Refusal on Major Events. From and after the fourth anniversary of the Closing Date, the Company and each of the Investors agrees, that:

(a) If (x) the Company or any of its Subsidiaries, officers, directors or employees or (y) any investment banker, financial advisor, attorney, accountants or other representatives retained by the Company or any of its Subsidiaries (the “Representatives”), which Representatives are acting at the direction and/or with the knowledge of the Company or such Subsidiary, directly or indirectly through another Person, (i) solicits, initiates or encourages (including by way of furnishing information) the making, submission or announcement of any inquiry about or proposal for a Major Event, or knowingly takes any other action designed to facilitate any Major Event, (ii) participates in any discussions or negotiations regarding, or provides any nonpublic information or data with respect to a Major Event, or (iii) receives, directly or indirectly, any inquiries or proposals from any Person relating to, or that the Company reasonably believes could lead to, a Major Event (each a “Preliminary Activity”), the Company shall promptly advise each of the Investors in writing of any Preliminary Activity (including the specific terms of any inquiry or proposal and the identity of the Person making such inquiry or proposal).

(b) The Company shall promptly and fully inform each Investor of the status of any such Preliminary Activity, of the furnishing of information to any Person in respect of
Preliminary Activity, and of any negotiations or discussions relating thereto (including any material amendments or proposed material amendments). The Company shall promptly provide to each Investor copies of all information made available to any Person with respect to any Preliminary Activity and will afford each Investor the same ability to conduct due diligence as afforded to such Person.

(c) Promptly upon receipt by the Company or any of its Subsidiaries of a bona fide proposal from any Person for a Major Event (a “Major Event Proposal”), the Company shall deliver to the Investors a written notice (a “Major Event Notice”) attaching a copy (or, in the case of an oral Major Event Proposal, a reasonably detailed written description) of the Major Event Proposal.

(d) Promptly upon receipt of a Major Event Notice, the Investors shall engage in good faith discussions regarding the desirability and timing of the proposed Major Event and shall endeavor to agree with respect to whether to support or reject the Major Event Proposal within 5 Business Days following the Investors receipt of a Major Event Notice (the “Reconciliation Period”);

(i) If the Investors agree to support or reject the Major Event Proposal within the Reconciliation Period, then the Major Event Proposal shall be submitted to the Executive Committee for approval or rejection in accordance with Section 2.7 of this Agreement.

(ii) If the Investors are unable to agree within the Reconciliation Period, then the Investor which objects to approval of the Major Event Proposal (the “Objecting Investor”) shall be entitled, for a period of five Business Days following the Reconciliation Period (the “Solicitation Period”), to solicit, initiate, encourage or facilitate any inquiries with respect to, or the making of, a bona-fide proposal for an alternative Major Event (a “Competing Proposal”) and negotiate or otherwise engage in discussions with any Person (each a “Competing Proposal Person”) with respect to such Competing Proposal, provided that (A) the Objecting Investor shall, subject to clause (B), be entitled to disclose to a Competing Proposal Person the existence of the Major Event proposal and any information or material regarding the Major Event Proposal, but shall not, without the express written approval of the Board of Directors or the Executive Committee, disclose to any Person (including any Competing Proposal Person) the identity of the Person making the Major Event Proposal, and (B) each Competing Proposal Person enters into a customary confidentiality agreement with the Company on terms no less favorable to such Person than those contained in any confidentiality agreement with the proponent or proponents of the Major Event Proposal.

(e) Within 5 Business Days after the Solicitation Period, a meeting of the Board of Directors shall be held at which the Board of Directors shall consider both the Competing Proposal and the Major Event Proposal. The Board of Directors shall adopt the Competing Proposal if the Board of Directors determines, by majority vote, that the Competing Proposal is at least as favorable to the Company’s stockholders in all material respects, and is as likely or more likely to be consummated, as the Major Event Proposal. In connection with such determination the Board of Directors shall be entitled to rely on the advice of outside counsel and the Company's independent financial advisors regarding the proposals. If the Board of Directors approves the Competing Proposal, such Competing Proposal shall be recommended by the Board
of Directors to the stockholders of the Company. If the Board of Directors (in a manner consistent with the provisions of this Section 3.4) approves the Major Event Proposal, the Company may enter into a definitive agreement with respect to, and consummate, a transaction substantially on the terms set forth in such Major Event Proposal.

(f) Notwithstanding anything to the contrary in this Section 3.4, the Company's obligations pursuant to this Section 3.4 shall be subject to (i) all applicable laws, including without limitation the Delaware General Corporation Law, and (ii) the execution by each Investor of a confidentiality agreement in form and substance reasonably satisfactory to the Company.

ARTICLE IV

TRANSFER RESTRICTIONS

4.1. Restrictions on Transfers of Shares. Except as provided in this Article IV or with the prior written approval of the other Investor, no Investor may, directly or indirectly, sell, assign, transfer or otherwise dispose of, by merger, consolidation or otherwise (including by operation of law), or pledge or otherwise encumber, any Restricted Securities (any such transaction, a "Transfer" and any Investor Transferring Restricted Securities, a "Transferor") to or in favor of any other Person (any Person to whom Restricted Securities are Transferred, a "Transferee"), prior to the fourth anniversary of the Closing Date (the four-year period from (and including) the Closing Date to (but excluding) such fourth anniversary, the "Investment Period"). Notwithstanding the foregoing, nothing contained herein shall be deemed to limit the ability of (i) the Investors to Transfer shares of Common Stock in connection with a Major Event approved by the Board of Directors in accordance with this Agreement, and, if required by applicable law or the Certificate of Incorporation, by the holders of any class of Common Stock, (ii) the limited partners in either of Equity VII or MBO VIII to transfer, directly or indirectly, their limited partnership interests in Equity VII or MBO VIII, as the case may be, at any time or from time to time, or (iii) the general partners of Equity VII or MBO VIII to transfer, directly or indirectly, at any time or from time to time, up to 20% of the equity interests in Equity VII or MBO VIII, as the case may be.

4.2. Transfers During Investment Period. (a) During the Investment Period, no Restricted Securities may be Transferred, in whole or in part, unless the Transfer is to a Permitted Transferee.

(b) Following any Transfer of Restricted Securities in accordance with this Section 4.2, the restrictions provided for in Section 4.1 shall continue to apply to the shares of Common Stock so Transferred.

4.3. General Conditions to Transfer. Every Transfer of Restricted Securities made during the Investment Period must comply with the following requirements as applicable:

(a) such Permitted Transferee shall have executed and delivered to the Company, as a condition precedent to the Transfer, an instrument or instruments in form and substance reasonably satisfactory to the Company confirming that such Permitted Transferee
agrees to be bound by the terms of this Agreement, including an agreement that such Permitted Transferee shall not thereafter Transfer such Restricted Securities to any Person to whom the Transferor would not be permitted to Transfer such Common Stock pursuant to the terms of this Agreement;

(b) the certificates issued to the Permitted Transferee which represent the Restricted Securities so Transferred shall bear the legends provided in Section 9.3;

(c) no registration of any securities shall be required under the Securities Act or the Exchange Act, or any other applicable securities or "blue sky" laws, by reason of such Transfer and the Transferor shall have delivered to the Company an opinion of counsel, which opinion and counsel shall be reasonably satisfactory to the Company, to such effect; and

(d) such Transfer shall not be in violation of applicable law and shall be subject to receipt of all necessary regulatory approvals.

4.4. Termination of Transfer Restrictions. Notwithstanding anything herein to the contrary, all restrictions on Transfers of Restricted Securities contained herein (other than those related to compliance with federal and state securities law) shall terminate after the fourth anniversary of the Closing Date.

ARTICLE V

STANDSTILL PROVISIONS

5.1. Standstill Provisions. Subject to Section 5.2, and except as otherwise expressly permitted by this Agreement (including Transfers made in compliance with the provisions of Article IV) each Investor agrees that, so long as the other Investor Beneficially Owns shares of Common Stock representing 20% or more of the outstanding shares of Common Stock, it shall not, and will cause each of its Affiliates not to, either alone or as part of a "group" (as such term is used in Section 13d-5 (as such rule is currently in effect) of the Exchange Act), and such Investor will not, and will cause each of its Affiliates not to, advise, assist or encourage others to, directly or indirectly, without the prior written consent of the other Investor:

(a) acquire, or offer or agree to acquire, or become the Beneficial Owner of or obtain rights in respect of any shares of Common Stock, other equity securities of the Company or other securities convertible or exchangeable into equity securities of the Company;

(b) solicit proxies or consents or become a "participant" in a "solicitation" (as such terms are defined or used in Regulation 14A under the Exchange Act) of proxies or consents with respect to any voting securities of the Company or initiate or become a participant in any stockholder proposal or "election contest" with respect to the Company or induce others to initiate the same, or otherwise seek to advise or influence any Person with respect to the voting of any voting securities of the Company in connection with the election of Directors or with respect to an amendment to the Certificate of Incorporation or By-laws that would increase or decrease the number of Directors on the Board of Directors;
(c) form, encourage or participate in a "person" within the meaning of Section 13(d)(3) of the Exchange Act for the purpose of taking any actions described in this Section 5.1;

(d) initiate any stockholder proposals for submission to a vote of stockholders, with respect to the Company; or

(e) offer, seek, or propose to enter into any merger, acquisition, tender offer, sale transaction involving a substantial portion of the Company’s assets or other business combination involving the Company.

5.2. Exceptions to the Standstill Provisions. (a) Notwithstanding the foregoing, the provisions of Section 5.1 shall not prohibit:

(i) the acquisition of securities of the Company pursuant to (x) Article VII, (y) a distribution made on a pro rata basis to all holders of a class of the Company’s capital stock, or (z) stock dividends or stock splits and similar reclassifications;

(ii) any transaction by an Investor involving a Major Event approved by the Executive Committee or the Board of Directors pursuant hereto and, if required, by the holders of any class of Common Stock;

(iii) the granting by the Company to the Directors of stock options or stock grants on a pro-rata basis (and the exercise thereof); or

(iv) any transaction by an Investor involving a Competing Proposal in compliance with Section 3.4.

(b) Nothing contained in Section 5.1 (i) shall prohibit any of the Investors or their Affiliates from complying with Rules 13d-1 through 13d-7, as applicable, promulgated under the Exchange Act or from making such disclosure to the Company’s stockholders or from taking such action which, in their judgment may be required under applicable law, or (ii) shall be deemed to restrict the manner in which the Investor Designees participate in deliberations or discussions of the Board of Directors.

ARTICLE VI

[INTENTIONALLY OMITTED]

ARTICLE VII

PREEMPTIVE RIGHTS

7.1. Preemptive Rights. (a) Except for Excluded Securities, the Company shall not issue, or agree to issue (i) any equity securities of the Company or any of its Subsidiaries, (ii) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any equity securities of the Company or any of its Subsidiaries or (iii) any other securities of the Company or any of its Subsidiaries that are convertible into or exchangeable for any equity securities of the
Company or any of its Subsidiaries unless, in each case, the Company shall have first given written notice (the "Preemptive Notice") to each Investor (for purposes of this Section, each a "Preemptive Offeree") that shall (a) state the Company's intention to issue any of the securities described in (i), (ii), or (iii) above (in each case, an "Issuance"), the amount to be issued, the terms of such securities, the purchase price therefor and a summary of the other material terms of the proposed Issuance, and (b) offer (a "Preemptive Offer") to issue to each Preemptive Offeree or their Affiliates up to such number of securities set forth in the Preemptive Notice (subject to Section 7.1(b)) (with respect to each Preemptive Offeree, the "Offered Securities") upon the terms and subject to the conditions set forth in the Preemptive Notice, which Preemptive Offer by its terms shall remain open and irrevocable for a period of 20 Business Days from the date it is delivered by the Company to the Investor (and, to the extent the Preemptive Offer is accepted during such 20 Business Day period, until the closing of the Issuance contemplated by the Preemptive Offer).

(b) Each Investor shall be entitled to participate in each Issuance on a pro rata basis. The number of securities (or principal amount of debt securities) to be offered to each Preemptive Offeree shall be an amount equal to the product of (i) the total number of securities (or total principal amount of debt securities) to be issued in the Issuance multiplied by (ii) a fraction in which the numerator is the number of shares of Common Stock Beneficially Owned by such Preemptive Offeree and the denominator is the aggregate number of shares of Common Stock Beneficially Owned by all Preemptive Offerees, in each case immediately prior to such Issuance.

(c) Notice of a Preemptive Offeree's intention to accept a Preemptive Offer, in whole or in part, shall be evidenced by a writing signed by such party and delivered to the Company prior to the end of the 20 Business Day period of such Preemptive Offer (each, a "Notice of Acceptance"), setting forth the portion of the Offered Securities that the Preemptive Offeree elects to purchase.

(i) In the event that a Notice of Acceptance is not given by a Preemptive Offeree in respect of all the Offered Securities, the Company shall have 60 days following the earlier of (A) delivery of the Notice of Acceptance from each of the Preemptive Offerees or (B) the end of the 20 Business Day period referred to in clause (a) above, if a Notice of Acceptance is not delivered by each of the Preemptive Offerees, to issue all or any part of such remaining Offered Securities not covered by the Notice of Acceptance to any other Person(s), but only at a price not less than the price, and on terms no more favorable to the other Person(s) than the terms, stated in the Preemptive Notice.

(ii) If the Company does not consummate the Issuance of all or part of the remaining Offered Securities to such other Person(s) within such 60-day period, the right provided hereunder shall be deemed to be revived with respect to such remaining Offered Securities and such securities shall not be offered unless first re-offered to each Preemptive Offeree in accordance with this Section.

(iii) Upon the closing of the Issuance to such other Person(s) (the "Other Buyers") of all or part of the remaining Offered Securities (or if there are no Other Buyers, on the first Business Day following such 60th day), each Preemptive Offeree shall purchase from the
Company, and the Company shall issue to each such Preemptive Offeree, the Offered Securities covered by its Notice of Acceptance delivered to the Company by the Preemptive Offeree, on the terms specified in the Preemptive Offer; provided that, if the closing of the Issuance to such Other Buyers is to occur prior to the 20th Business Day following delivery of the Notice of Acceptance, the Preemptive Offeree shall have until such 20th Business Day to pay the purchase price for the Offered Securities covered by the Notice of Acceptance. The purchase by a Preemptive Offeree of any Offered Securities is subject in all cases to the execution and delivery by the Company and the Preemptive Offeree of a purchase agreement relating to such Offered Securities in customary form and in form and substance similar in all material respects to the extent applicable to that executed and delivered between the Company and the Other Buyers or the other Preemptive Offerees.

(d) For purposes of this Section 7.1, "Excluded Securities" shall mean: (i) any securities issued as a stock dividend or upon any stock split or other subdivision or combination of shares of capital stock of the Company or any of its Subsidiaries; (ii) securities issuable or issued to employees of the Company pursuant to an employee benefit plan or agreement duly approved or authorized by the Board of Directors or a committee thereof; (iii) securities issued in connection with a Major Event; (iv) securities issued upon exercise of any then-previous issued warrants, options or other similar rights; (v) securities issued in connection with the acquisition, by merger, purchase or otherwise, of any equity interests in or assets of any other Person approved pursuant to Section 2.7(c); (vi) any Indebtedness incurred pursuant to the Amended Bank Credit Facility; (vii) any intercompany Indebtedness; and (viii) securities issued pursuant to this Section 7.1 resulting from the prior exercise of preemptive rights.

7.2. Substitute Securities. So long as there remain outstanding any shares of Class C Common Stock, the Company shall permit a Preemptive Offeree to purchase, in lieu of shares of Class A Common Stock (or rights to acquire the same, as the case may be) to be issued in the proposed Issuance, (i) shares of Class C Common Stock (or rights to acquire the same, as the case may be) in the case of Telmex, and (ii) shares of Class D Common Stock (or rights to acquire the same, as the case may be) in the case of Forstmann Little (in the case of either clause (i) or (ii), "Substitute Securities"); provided, however, that, to the extent that there are not sufficient shares of Class C Common Stock or Class D Common Stock, as the case may be, authorized by the Certificate of Incorporation, the Preemptive Offeree may purchase the securities to be issued in the proposed Issuance and the terms of the proposed Issuance shall be adjusted accordingly to allow the Preemptive Offeree to convert such securities into Substitute Securities as soon as reasonably practicable after such shares of Class C Common Stock or Class D Common Stock are so authorized. The Company shall take such further action (to the extent consistent with applicable law) as shall be necessary to ensure that there is available out of its authorized but unissued shares of Common Stock such number of its shares of Common Stock as shall be sufficient to effect the issuance of Substitute Securities. If a Preemptive Offeree elects to purchase Substitute Securities pursuant to this Section 7.2, the number of securities to be issued to such Preemptive Offeree, the purchase price therefor and the other material terms of the proposed Issuance shall be adjusted accordingly to preserve the economics of the securities.
ARTICLE VIII

TERM

8.1. Term. This Agreement shall become effective as of the closing under the Stock Purchase Agreement (the date on which such closing occurs, the "Closing Date") and shall terminate on the date that either of the Investors Beneficially Owns shares of Common Stock representing less than 10% of the outstanding shares of Common Stock; provided, however, that this Agreement shall not terminate as a result of a Transfer of Common Stock in violation of this Agreement that causes an Investor to Beneficially Own shares of Common Stock representing less than 10% of the outstanding shares of Common Stock. Upon such termination, there shall be no liability on the part of any party hereto, except that nothing in this Section 8.1 shall in any way relieve any party from liability for any breach of the provisions set forth herein for the period prior to the termination of this Agreement.

ARTICLE IX

GENERAL

9.1. Accounting; Financial Statements and Other Information. (a) The Company will maintain a system of accounting established and administered in accordance with GAAP. Whenever the Company is not otherwise subject to the reporting obligations of the Exchange Act, the Company will deliver to each Investor:

(i) within 90 days after the end of each fiscal year of the Company, consolidated balance sheets of the Company and its Subsidiaries as at the end of such year and the related consolidated statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries for such fiscal year, setting forth in each case in comparative form figures for the previous fiscal year, all in reasonable detail and accompanied by a report thereon of independent certified public accountants of recognized standing selected by the Company which report shall state that such consolidated financial statements present fairly in all material respects the financial position of the Company as at the dates indicated and the results of its operations and its cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise specified in such report) and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(ii) within 45 days after the end of each fiscal quarter of the Company, consolidated balance sheets of the Company and its Subsidiaries as at the end of such quarter and the related consolidated statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries for such fiscal quarter, setting forth, in each case in comparative form, figures for the previous fiscal quarter, all in reasonable detail; and

(iii) with reasonable promptness, such other information and data with respect to the Company or any of its Subsidiaries as from time to time may be reasonably requested by an Investor.
(b) Each set of financial statements required to be provided by the Company pursuant to this Section 9.1 shall be substantially in the form appropriate for inclusion in a filing on Form 10-K or Form 10-Q, as applicable, with the SEC pursuant to the Exchange Act, and shall be accompanied by a narrative report setting forth, in reasonable detail, for such period, any material deviations by the Company and its Subsidiaries from the Business Plan.

9.2. **Competition.** (a) The Company and each of the Investors agree that each Investor and its Affiliates, officers, directors, employees and agents may, alone or in combination with any other Person, engage in activities or businesses, make investments in and acquisitions of any Person, and enter into partnerships and joint ventures with any Person, whether or not competitive now or in the future with the businesses or activities of the Company.

(b) The Company and each of the Investors agree that no Investor, nor any Affiliate, officer, director, employee and agent thereof, shall have any obligation to refer to the Company any business opportunities presented to or developed by any of them, except to the extent they were presented to or developed by such Person specifically in its capacity as a stockholder, officer, director, employee or agent of the Company.

9.3. **Legend on Stock Certificates.** Etc. (a) Each certificate representing Restricted Securities shall contain a legend, in addition to any other legend required by the Board of Directors or the Company pursuant to the By-laws or applicable law, reading substantially as follows:

"ANY SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION, OR ANY PLEDGE OR OTHER ENCUMBRANCE, OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY, AND THE RIGHTS OF THE HOLDER OF SUCH SECURITIES ARE SUBJECT TO, THE TERMS AND CONDITIONS CONTAINED IN THE STOCKHOLDERS AGREEMENT, DATED AS OF [ ], AS IT MAY BE AMENDED FROM TIME TO TIME, AND THE COMPANY’S CERTIFICATE OF INCORPORATION AND BY-LAWS, WHICH ARE AVAILABLE FOR EXAMINATION AT THE REGISTERED OFFICE OF THE COMPANY.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS."

The Company will maintain an executed counterpart of this Agreement on file in its principal office and will make such counterpart available for inspection. The Company shall not transfer on its books any certificates representing Restricted Securities, or other shares of capital stock, nor issue any certificates in lieu thereof unless all the conditions hereof have been complied with, and a purported transfer not in accordance with the terms hereof shall be void.
(b) The requirement that the above securities legend be placed upon certificates evidencing any shares of Restricted Securities shall cease and terminate upon the earliest of the following events: (i) when such shares are transferred in an underwritten public offering, (ii) when such shares are transferred pursuant to Rule 144 under the Securities Act or (iii) when such shares are transferred in any other transaction if the Transferor delivers to the Company an opinion of its counsel, which counsel and opinion shall be reasonably satisfactory to the Company, or a "no-action" letter from the staff of the SEC, in either case to the effect that such legend is no longer necessary in order to protect the Company against a violation by it of the Securities Act upon any sale or other disposition of such shares without registration thereunder. The requirement that the above legend regarding this Agreement be placed upon certificates evidencing shares of Restricted Securities shall cease and terminate upon the Transfer of such shares other than to a Permitted Transferee. Upon the consummation of any event requiring the removal of a legend hereunder, the Company, upon the surrender of certificates containing such legend, shall, at its own expense, deliver to the holder of any such shares as to which the requirement for such legend shall have terminated, one or more new certificates evidencing such shares not bearing such legend.

9.4. Successors and Assigns. This Agreement shall bind and inure to the benefit of the Company and the Investors and their respective successors and permitted assigns, provided that, the Company may not assign its rights or obligations under this Agreement to any Person without the prior written consent of the Investors, and provided further that, except as provided in Article IV, the Investors may not assign their rights or obligations under this Agreement to any Person without the prior written consent of the Company and the other Investor.

9.5. Entire Agreement. This Agreement (including the Annexes, Schedules and Exhibits hereto), the Stock Purchase Agreement and the Registration Rights Agreement constitute the entire agreement between the parties and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

9.6. Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by telecopy, nationally recognized overnight courier or first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by such party to the other parties:

if to the Company, to:

XO Communications, Inc.
11111 Sunset Hills Road
Reston, VA 20190
Attention: Gary D. Begeman, Esq.
with a copy to:

Willkie Farr & Gallagher
787 Seventh Avenue
New York, NY 10019
Telecopy: (212) 728-8111
Attention: Bruce R. Kraus, Esq.

if to Forstmann Little, to:

c/o Forstmann Little & Co.
767 Fifth Avenue
New York, NY 10153
Attention: Sandra J. Horbach

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004
Telecopy: (212) 859-4000
Attention: Stephen Fraidin, Esq.

if to Telmex, to:

Teléfonos de México, S.A. de C.V.
Parque Via 190, Piso 10
Colonia Cuauhtémoc
06599 México, D.F.
Attention: Lic. Javier Mondragon Alarcon

with a copy to:

Latham & Watkins
885 Third Avenue
Suite 1000
New York, NY 10022-4802
Telecopy: (212) 751-4864
Attention: Charles M. Nathan, Esq.

Any notice, request, consents or other communication delivered hereunder will be conclusively deemed to have been given: (i) if by personal delivery, upon the actual delivery thereof; (ii) if by certified or registered mail, on the fifth Business Day following the deposit thereof in the mail; and (iii) if by electronic means, on the day of transmittal thereof if given on a Business Day during normal business hours or on the next succeeding Business Day if given at other times. A party giving notice, request, consent or other communication by electronic means
shall send the original thereof by personal delivery or by certified or registered mail unless the intended recipient agrees otherwise.

9.7. Amendments. The terms and provisions of this Agreement may be modified or amended, or any of the provisions hereof waived, temporarily or permanently, in a writing executed and delivered by the Company and each of the Investors. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar). No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

9.8. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

9.9. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

9.10. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW.

9.11. Submission to Jurisdiction. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware and of the United States of America, in each case located in the State of Delaware, for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby and agrees not to commence any litigation relating hereto other than in such courts, and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in this Agreement shall be effective service of process for any litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of this Agreement or the transactions contemplated hereby in the courts of the State of Delaware or the United States of America, in each case located in the State of Delaware, hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum.

9.12. Waiver of Jury Trial. THE COMPANY AND THE INVESTORS HEREBY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT.

9.13. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to
modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

9.14. Third Party Beneficiaries. Except as provided in Section 2.9(c), none of the provisions of this Agreement shall be for the benefit of, or enforceable by, any third party.

9.15. Remedies. The parties hereto agree that money damages or other remedy at law would not be sufficient or adequate remedy for any breach or violation of, or a default under, this Agreement by them and that in addition to all other remedies available to them, each of them shall be entitled to an injunction restraining such breach, violation or default or threatened breach, violation or default and to any other equitable relief, including without limitation specific performance, without bond or other security being required.
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP VII, L.P.

By: FLC XXXII Partnership, L.P.,
    its general partner

By: ____________________________________________
    Sandra J. Horbach,
    a general partner

FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP VIII, L.P.

By: FLC XXXIII Partnership,
    its general partner

By: ____________________________________________
    Sandra J. Horbach,
    a general partner

TELEFONOS DE MEXICO, S.A. DE C.V.

By: ____________________________________________
    Name: Ing. Jaime Chico Pardo
    Title: Director General

XO COMMUNICATIONS, INC.

By: ____________________________________________
    Name: Daniel F. Akerson
    Title: Chairman and Chief Executive Officer