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December 17, 2010

Mr. Neil Smit
President
Comcast Cable

Neil:

The purpose of this letter is to correct various misstatements contained in John Schanz' email to me yesterday, as well as to address violations by Comcast of our agreement to refrain from disclosing the specifics of our settlement discussions.

Prior to engaging in efforts to resolve our differences, John Schanz and I had a discussion – at John's request – to clarify that the discussions between us would be subject to our Nondisclosure Agreement, and that neither party would publicly disclose the offers, counteroffers and responses of the other party in these discussions. While Level 3 has insisted that any final resolution of our disagreement must be public and transparent, we agreed to John's request for confidential discussions in order to promote candor and openness. During our meeting on December 3, you and I acknowledged the confidential nature of our discussions and agreed not to disclose the discussions. The confidentiality of our discussions was further confirmed by the fact that both parties acknowledged confidentiality in the "Proposed New Interconnection Framework" jointly prepared by our technical teams in Chicago during the meeting which ended on December 16, 2010. Last night and today, in direct violation of our Nondisclosure Agreement, Comcast disclosed the details of our discussions to the FCC, and publicly disclosed those discussions in a blog post written by John Schanz. This breach of our agreement is exacerbated by the fact that Comcast's portrayal of our discussions is factually incorrect.

By now I'm sure you've seen both our letter to the FCC and DOJ and the associated email from Jim to you. As Jim makes clear, the fundamental question is whether or not Comcast can use its dominant position in consumer high speed Internet access service in the markets it serves to extract a payment from Level 3 for delivering to Comcast content requested by your customers. If, as we maintain is the case, Comcast does have a dominant position with respect to access to its subscribers, then a "trial" will prove nothing.

Although I have not previously rejected conducting a trial contrary to what John asserted, Comcast's actions make it clear that the "trial" offer was not made in good faith and was designed to incorrectly imply that Level 3 is acting unreasonably, either by refusing to engage in a "trial" or by continually moving the "goalpost." I must correct the record.



John's email states that the "trial" "...would be an excellent next step to gain all the experience and understanding of this major paradigm shift in direct Internet connections." Your team proposed to mutually provision one or two "trial" ports. John states that the purpose is to "invest in the solution while getting more data about traffic, routing, and the overall economics."

In his email, John seems to contend that interconnection between our networks in locations other than those currently employed requires new technical concepts and thus will require a "trial" to determine the feasibility of this "paradigm shift." This statement is unreasonable on its face since:

- we both have designed, built and have frequently upgraded large, national Internet backbones
- we both have substantial experience operating these Internet backbones
- we both offer commercially available services enabled by these backbones
- we both interconnect with multiple other backbone networks
- we both have a particularly deep understanding of each other's networks since your backbone rides on Level 3's U.S. fiber infrastructure
- there are currently 32 interconnection links between our networks already in operation and exchanging traffic between our networks
- we both have sufficient understanding of our respective networks, operating and capital costs to enable consolidation of actual results into our publicly reported financial results, including a certification of accuracy by corporate officers

Given these facts, we believe that Comcast's proposed "trial" will not result in any meaningful improvement in either company's understanding of our respective "traffic, routing, and the overall economics." Instead, we believe that the proposal was an unfair attempt to build a record which Comcast could and did subsequently use to mislead the FCC, DOJ and the public.

John's email further states that we shifted the "goalposts" on Comcast, apparently by first requesting a "no recurring cost" solution and then subsequently requesting a "zero cost" solution. This grossly mischaracterizes our discussions and Level 3's position. As Jim noted in his email to you yesterday, there is no "zero cost" solution for either Level 3 or Comcast. The proposals that we discussed with Comcast, while they would not require a payment from Level 3 to Comcast, involve Level 3 incurring significant "cost" to reach Comcast's desired interconnection points.

We have been clear on the payment point from the beginning. In numerous emails and phone calls between John and me and between Jim Crowe and you, we have been clear that we are seeking an interconnection architecture that will not require payment from Level 3 to Comcast. In fact, in Jim's letter to you on December 14, he made our position perfectly clear: *"We keep asking you to tell us the locations where we can interconnect with you with no payment from us and thus no revenue to you. If you choose to tell us those locations, we can make progress. If not, no amount of engineering work can resolve our differences."*



Our position on this point is further confirmed by the “Proposed New Interconnection Framework” document that our teams created over the past few days. The following is an excerpt from that document:

- *Level 3 would pay a non-recurring interconnection fee of X per 10 Gbps port for incremental regional interconnect ports*
 - o *Comcast believes that “X” per 10Gbps port should be \$YYY*
 - o *Level 3 believes that “X” should be \$0.*
 - o *Level 3 also believes that no recurring charges should apply to the interconnection fee (with possible exception of power)*

As the excerpt makes clear, your contention that we shifted the “goalposts” is incorrect.

As a result, I expect that you will want to have Comcast representatives promptly correct your public and FCC statements in a manner that is at least as public as the manner in which they were initially made.

We remain willing to discuss resolution of our disagreement and we are willing to entertain and discuss any constructive offers you might have.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Storey".

Jeff Storey
President and Chief Operating Officer
Level 3 Communications, Inc.