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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

Arizona Corporation Commission

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IN THE MATTER OF THE JOINT NOTICE AND APPLICATION OF QWEST CORPORATION, QWEST COMMUNICATIONS COMPANY, LLC, QWEST LD CORP., EMBARQ COMMUNICATIONS, INC. D/B/A CENTURY LINK COMMUNICATIONS, EMBARQ PAYPHONE SERVICES, INC. D/B/A CENTURYLINK, AND CENTURYTEL SOLUTIONS, LLC, FOR APPROVAL OF THE PROPOSED MERGER OF THEIR PARENT CORPORATIONS, QWEST COMMUNICATIONS INTERNATIONAL INC., AND CENTURYTEL, INC.

DOCKET NO. T-01051B-10-0194
T-02811B-10-0194
T-04190A-10-0194
T-20443A-10-0194
T-03555A-10-0194
T-03902A-10-0194

DECISION NO. 72232

OPINION AND ORDER

DATE OF HEARING: November 15, 2010 (Public Comment), December 13, 20, and 21, 2010 (Evidentiary Hearing).

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Belinda A. Martin

APPEARANCES: Mr. Kevin K. Zarling, Senior Counsel (*admitted Pro Hac Vice*), and Mr. Jeffrey Crockett, BROWNSTEIN HYATT FARBER SCHREK, LLP, on behalf of Applicants Embarq Communications, Inc., d/b/a CenturyLink Communications, Embarq Payphone Services, Inc., d/b/a CenturyLink, and CenturyTel Solutions, LLC, and CenturyTel, Inc.;

Mr. Norman G. Curtright, Associate General Counsel, on behalf of Applicants Qwest Corporation, Qwest Communications Company, LLC, Qwest LD Corp., and Qwest Communications International Inc.;

Ms. Maureen Scott, Senior Staff Counsel, Ms. Robin Mitchell, and Ms. Bridget Humphrey, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission;

Mr. Daniel W. Pozefsky, on behalf of the Residential Utility Consumer Office;

1 Mr. Stephen S. Melnikoff, General Attorney, Regulatory
2 Law Office, U.S. Army Litigation Center (*admitted Pro*
3 *Hac Vice*), on behalf of the United States Department of
4 Defense and all other Federal Executive Agencies;

5 Mr. Gregory Merz, GRAY PLANT MOOTY MOOTY
6 & BENNETT, PA (*admitted Pro Hac Vice*), and Mr.
7 Michael Patten, ROSHKA DeWULF & PATTEN, PLC,
8 on behalf of McLeodUSA Telecommunications Services
9 d/b/a PAETEC Business Solutions;

10 Mr. Michael Patten, ROSHKA DeWULF & PATTEN,
11 PLC, on behalf of Cox Arizona Telcom, LLC, XO
12 Communications Services, Inc., Level 3
13 Communications, LLC, and DIECA Communications,
14 Inc., d/b/a Covad Communications Company;

15 Ms. Joan S. Burke, LAW OFFICE OF JOAN S.
16 BURKE, on behalf of Pac-West Telecomm, Inc., and tw
17 telecom of arizona, llc; and

18 Mr. Craig A. Marks, CRAIG A. MARKS, PLC, on
19 behalf of Eschelon Telecom of Arizona, Inc., Electric
20 Lightwave, LLC, and Mountain Telecommunications of
21 Arizona, Inc., each d/b/a Integra Telecom.

22 **BY THE COMMISSION:**

23 Having considered the entire record herein and being fully advised in the premises, the
24 Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

25 **FINDINGS OF FACT**

26 **PROCEDURAL HISTORY**

27 1. On May 13, 2010, Qwest Corporation, Qwest Communications Company, LLC,
28 Qwest LD Corp., Embarq Communications, Inc. d/b/a CenturyLink Communications, Embarq
Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC (“Joint Applicants”),
filed with the Commission a joint notice and application for approval of the proposed merger of the
Joint Applicants’ respective parent corporations, Qwest Communications International Inc., and
CenturyTel, Inc.¹ (“Application”).

2. On May 28, 2010, the Joint Applicants filed their direct testimony.

¹ According to the Application, CenturyTel, Inc., changed its name to CenturyLink, Inc., on May 20, 2010, and shall be referred to as CenturyLink, Inc., except where reference to CenturyTel, Inc., is appropriate.

1 3. Subsequent to the Application's filing, intervention was requested by, and granted to,
2 the Residential Utility Consumer Office ("RUCO"); Cox Arizona Telcom, LLC ("Cox"); tw telecom
3 of arizona, llc, ("TWTA"); Eschelon Telecom of Arizona, Inc., Electric Lightwave, LLC, and
4 Mountain Telecommunications of Arizona, Inc., each d/b/a Integra Telecom (collectively, "Integra");
5 Communications Workers of America, AFL-CIO, CLC ("CWA"); Level 3 Communications, LLC
6 ("Level 3"); McLeodUSA Telecommunications Services, Inc., d/b/a PAETEC Business Services
7 ("PAETEC"); Pac-West Telecomm, Inc. ("Pac-West"); the United States Department of Defense and
8 All Other Federal Executive Agencies, ("DOD-FEA"); 360networks (USA), inc. ("360"); DIECA
9 Communications, Inc., d/b/a Covad Communications Company ("Covad"); XO Communications
10 Services, Inc. ("XO"); and Westel Inc. ("Westel").

11 4. Pursuant to a Procedural Order filed June 9, 2010, a Procedural Conference was held
12 on June 22, 2010. During the Procedural Conference, the parties agreed on a procedural schedule.
13 Also addressed during the procedural conference was a form of protective order proposed in the
14 Application. The parties agreed that they would discuss the Joint Applicants' proposed form of
15 protective order and advise the Administrative Law Judge as to whether the parties could agree to its
16 terms.

17 5. On July 2, 2010, a Procedural Order was issued setting a hearing to begin on
18 November 15, 2010, and establishing certain procedural deadlines.

19 6. On July 27, 2010, the Joint Applicants filed their Proposed Modification to Requested
20 Procedural Order to Add "Staff Eyes Only" Confidentiality ("Confidentiality Motion"). The Joint
21 Applicants requested that their proposed form of protective order be modified to include not only
22 confidential and highly confidential designations, but also to allow certain documents to be classified
23 as "Staff Eyes Only." The Joint Applicants stated that the parties could not agree on this form of
24 protective order and requested the matter be set for oral argument.

25 7. On August 3, 2010, a Procedural Order was issued setting oral argument on the
26 Confidentiality Motion, and directing the Joint Applicants to provide the Administrative Law Judge
27 with a representative sample of the types of "Staff Eyes Only" documents for *in camera* review.
28

1 8. On August 5, 2010, Cox, Integra, Level 3, PAETEC, Covad, XO, TWTA and Pac-
2 West filed their Responses to the Confidentiality Motion, in which they each objected to the proposed
3 “Staff Eyes Only” designation. On August 9, 2010, CWA filed its Response to the Confidentiality
4 Motion, also objecting to the proposed “Staff Eyes Only” designation.

5 9. On August 11, 2010, the Joint Applicants, rather than submitting a representative
6 sample of confidential documents, submitted to the Administrative Law Judge the entirety of the
7 documents that they sought to have designated as “Staff Eyes Only” for *in camera* review and filed
8 their Reply to the various intervenors’ Responses on August 13, 2010.

9 10. On August 16, 2010, oral argument on the Confidentiality Motion was held. At the
10 conclusion of oral argument, the matter was taken under advisement.

11 11. On August 25, 2010, a Procedural Order was issued denying the Joint Applicants’
12 Confidentiality Motion and providing the form of Protective Order for this matter.

13 12. On September 27, 2010, Integra, CWA, RUCO, Pac-West, DOD-FEA, Level 3 and
14 Cox filed direct testimony. Additionally, the direct testimony of Dr. August Ankum and Timothy
15 Gates was filed on behalf of Integra, Level 3, PAETEC and TWTA (the “Joint CLECs”).

16 13. On October 13, 2010, the Commission’s Utilities Division Staff (“Staff”) filed its
17 direct testimony.

18 14. On October 14, 2010, the Joint Applicants filed a Notice of Filing Settlement
19 Agreement Between 360networks (USA) inc. and the Joint Applicants, and on October 15, 2010, 360
20 filed its Notice of Withdrawal, stating its intent to withdraw as an intervenor in this docket. No party
21 objected and 360 was granted leave to withdraw pursuant to a Procedural Order dated October 20,
22 2010.

23 15. On October 21, 2010, CWA filed its 1) Notice of Withdrawal; and 2) Notice of Filing
24 Settlement Agreement Between CWA and Joint Applicants. The notice stated that CWA had reached
25 a settlement with the Joint Applicants and wished to withdraw as an intervenor in this docket. No
26 party objected and CWA was granted leave to withdraw pursuant to a Procedural Order dated
27 October 25, 2010.

28 16. On October 27, 2010, the Joint Applicants filed their rebuttal testimony.

1 17. On November 5, 2010, the DOD-FEA filed a Settlement Agreement and Stipulation
2 between the Joint Applicants and the DOD-FEA. The DOD-FEA did not request to withdraw from
3 the proceedings.

4 18. On November 10, 2010, Staff, RUCO, the Joint CLECs, DOD-FEA, Cox, Level 3 and
5 Pac-West filed their respective surrebuttal testimony.

6 19. On November 10, 2010, the Joint Applicants filed a Notice of Settlement Between
7 Joint Applicants and Integra. Integra did not request to withdraw from the proceedings.

8 20. On November 12, 2010, the Pre-Hearing Conference was held as scheduled. During
9 the Pre-Hearing Conference, the parties indicated that they wished to enter into settlement
10 negotiations and desired to use the dates set for hearing for the purpose of negotiations.

11 21. On November 15, 2010, the matter convened for hearing as scheduled and public
12 comment was taken. Upon conclusion of public comment, the hearing was recessed so that the
13 parties could engage in settlement negotiations.

14 22. On November 16, 2010, Qwest Corporation filed its Notice of Filing Settlement
15 Agreement and Release of Claims Between Qwest Corporation and Westel, Inc., and Westel filed its
16 Notice of Withdrawal, stating it wished to withdraw as an intervenor in this docket. During a
17 November 19, 2010, procedural conference no parties objected to Westel's request and Westel was
18 granted permission to withdraw. Also during the Procedural Conference the parties advised the
19 Administrative Law Judge that the Joint Applicants, RUCO and Staff had reached a settlement, but
20 certain of the remaining intervenors had not.

21 23. On November 22, 2010, the Joint Applicants filed a Notice of Filing Settlement
22 Agreement Between and Among Cox, CenturyLink and Qwest. Cox did not request to withdraw
23 from the proceedings.

24 24. On November 23, 2010, a Procedural Order was issued vacating the remaining hearing
25 dates, and resetting the hearing for December 13, 20 and 21, 2010, and also setting deadlines for pre-
26 filed testimony on the settlement agreement ("Settlement Agreement"). (The Settlement Agreement
27 is attached as Exhibit A.)

28

1 25. On November 26, 2010, the Joint Applicants, Staff and RUCO filed their Settlement
2 Agreement.

3 26. On December 1, 2010, Staff, RUCO and the Joint Applicants filed testimony in
4 support of the Settlement Agreement.

5 27. On December 8, 2010, Level 3, PAETEC and TWTA filed the testimony of Timothy
6 Gates in opposition to the Settlement Agreement. In addition, PAETEC filed separate, individual
7 testimony of William Haas in opposition to the Settlement Agreement.

8 28. On December 10, 2010, a pre-hearing conference was held at which time the parties
9 indicated they were ready to proceed with the hearing.

10 29. The hearing on the Application and Settlement Agreement convened on December 13,
11 2010, and continued on December 20 and 21, 2010. At the conclusion of the hearing, the matter was
12 taken under advisement, and the parties were directed to file post-hearing briefs no later than January
13 18, 2011.

14 30. On January 18, 2011, Post-Hearing Briefs were filed by the Joint Applicants, Staff,
15 RUCO, DOD-FEA, TWTA and PAETEC.

16 31. On February 8, 2011, the Joint Applicants filed a Notice of Filing Settlement
17 Agreement Between and Among TWTA, CenturyLink and Qwest.

18 32. On February 9, 2011, TWTA filed its Request to Withdraw. TWTA's Request to
19 Withdraw was not granted.

20 **PUBLIC NOTICE AND PUBLIC COMMENT**

21 33. On August 4, 2010, the Joint Applicants filed an Affidavit of Mailing, averring that
22 notice of the hearing had been sent to Arizona customers on July 16, 2010, and also that notice of the
23 hearing had been published in the *Arizona Business Gazette*, on July 16, 2010.

24 34. The Commission received 42 written comments regarding the Application. Four were
25 from residential customers opposed to the merger. The Arizona Consumers Council filed written
26 comment stating that it neither opposed nor supported the merger, but urged the Commission to
27 carefully review the transaction to ensure that it is in the public interest on all levels. The remainder
28

1 of the written comments were from Integra customers expressing concern about possible adverse
2 effects of Qwest's merger with CenturyLink upon quality of service.²

3 35. On November 15, 2010, public comment was taken in Phoenix, Arizona, at which
4 time four individuals came forward to provide comment. Two of the individuals neither supported
5 nor opposed the merger, but rather had specific customer service issues with Qwest that they wished
6 to address.³ Comment was also provided by Albert Sterman, Vice President of the Arizona
7 Consumers Council who reiterated the Council's written comments. The remaining individual was a
8 former employee of Qwest from Bisbee, Arizona, who expressed concerns about the treatment of
9 Qwest employees both in the present and post-merger, as well as concerns regarding the lack of
10 provision of broadband service in rural areas.

11 THE PARTIES

12 36. The following entities are involved in the transaction underlying the Application.

13 QWEST COMMUNICATIONS INTERNATIONAL, INC. ("QCII")

14 37. QCII is a publicly traded Delaware corporation, headquartered in Colorado. Through
15 its operating subsidiaries, QCII offers communications services such as local, long distance and high
16 speed data to residential consumers, businesses and wholesale customers. QCII also offers wireless
17 and video services through sales partnerships with other communications entities.

18 QWEST CORPORATION ("QC")

19 38. QC is a subsidiary of QCII and is an incumbent local exchange carrier ("ILEC") in 14
20 states,⁴ serving approximately 10.3 million total access lines. In Arizona, QC has local exchange
21 services and interexchange services with approximately 1,457,280 retail access lines. In addition to
22 the regulated retail services offered in Arizona by QC, QC offers interconnection services to
23

24
25 ² At hearing, the witness for Integra, Douglas Denny, Director of Costs and Policy, testified that after Integra entered into
26 its settlement agreement with the Joint Applicants, Integra sent a letter to its customers advising them of the settlement
27 agreement and providing a link to the settlement agreement in order that customers could view it if they wished. Tr. at
28 453-454.

³ At the conclusion of the Public Comment session, Qwest provided a member of Qwest management to discuss these
individuals' issues.

⁴ In addition to Arizona, QC is an incumbent local exchange provider in Colorado, Washington, Oregon, Idaho, Montana,
Wyoming, Nebraska, North Dakota, South Dakota, Minnesota, Iowa, Utah and Nevada.

1 competitive local exchange carriers (“CLECs”) through interconnection agreements (“ICAs”),
2 wholesale and commercial agreements and tariffed services.

3 QWEST COMMUNICATIONS COMPANY LLC (“QCC”)

4 39. QCC is authorized by the Commission to provide resold long distance and competitive
5 local exchange services in Arizona.⁵ QCC also provides facilities-based and resold interexchange
6 and competitive local exchange operations nationwide.

7 QWEST LD CORP. (“QLDC”)

8 40. QLDC provides resold interexchange services in Arizona and is the entity formed as
9 part of the approval processes under Section 271 and 272 of the Telecommunications Act of 1996
10 (the “Act”) to provide interLATA services originating in Arizona.

11 41. Collectively and generally, QCII, QC, QCC AND QLDC shall be referred to as
12 “Qwest.”

13 CENTURYLINK, INC. (“CTL”)

14 42. According to the Application, CTL is a publicly traded Louisiana corporation with
15 headquarters in Monroe, Louisiana. CTL provides voice and broadband services to consumers and
16 businesses in 33 states, and serves over 7 million access lines, with 2.2 million broadband subscribers
17 and 550,000 video subscribers. Historically, CTL has served a rural market, but through recent
18 acquisitions, has begun to serve larger metropolitan areas. None of CTL’s Arizona entities are ILECs
19 in Arizona, but certain subsidiaries, described below, are authorized by the Commission to provide
20 competitive telecommunications services in Arizona.

21 SB44 ACQUISITION COMPANY (“ACQUISITION COMPANY”)

22 43. Acquisition Company is a direct, wholly-owned subsidiary of CTL created solely to
23 facilitate the transaction.

24 EMBARQ COMMUNICATIONS, INC. D/B/A CENTURYLINK COMMUNICATIONS (“CLC”)

25 44. CLC is authorized by the Commission to provide resold long distance services⁶ and is
26 the primary interexchange carrier of less than 200 lines in Arizona.

27 _____
28 ⁵ Decision No. 68447, February 2, 2006 (CLEC and RLD), and Decision No. 66612, December 9, 2003 (IXC).

⁶ Decision No. 68828 (June 29, 2006).

1 EMBARQ PAYPHONE SERVICES, INC. D/B/A CENTURYLINK ("CL")

2 45. CL is authorized to provide payphone services in Arizona,⁷ currently operating with
3 25 payphones.

4 CENTURYTEL SOLUTIONS, LLC ("CTS")

5 46. CTS is authorized to provide resold long distance services and competitive local
6 exchange services,⁸ but it does not currently serve any customers in Arizona.

7 47. Collectively and generally, CTL, CLC, CL and CTS shall be referred to as
8 "CenturyLink."

9 48. Qwest and CenturyLink, when referring to post-transaction issues, shall be referred to
10 as the "Merged Company."

11 **STANDARD OF REVIEW**

12 AFFILIATED INTEREST RULES

13 49. The Commission's Affiliated Interest Rules, Arizona Administrative Code ("A.A.C.")
14 R14-2-801 through R14-2-806, ("Affiliated Interest Rules") require public utility holding companies
15 with greater than \$1 million in jurisdictional revenues to obtain Commission approval prior to a
16 reorganization transaction. The Commission may reject a merger if it determines that it "would
17 impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and
18 reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate
19 service."⁹

20 50. The Joint Applicants assert that the Affiliated Interest Rules requirements have been
21 met and no further inquiry is necessary.

22 PUBLIC INTEREST DETERMINATION

23 51. While a determination that a transaction is financially sound under the Affiliated
24 Interest Rules is necessary, Commission consideration of the advisability of a transaction does not
25 necessarily end there. In Decision No. 67454 (January 4, 2005), *In the Matter of the Reorganization*
26 *of Unisource Energy Corporation*, Docket No. E-04230A-03-0933, the Commission noted:

27 ⁷ Decision No. 61049 (August 6, 1998).

28 ⁸ Decision No. 63638 (May 4, 2001).

⁹ A.A.C. R14-2-803(C).

1 Although Rule 803(C) establishes a minimum standard for Commission
 2 consideration of affiliate transactions, it is not the only applicable standard of
 3 review. The Commission has a constitutional duty to make and enforce
 4 reasonable rules, regulations and orders to protect the convenience, comfort,
 5 safety and health of employees and patrons of public service corporations. Ariz.
 6 Const. Art. 15 § 3. The Commission must act in the “public interest.” *James P.*
Paul Water Co. v. Arizona Corporation Commission, 137 Ariz. 426, 429, 671
 7 P.2d 404, 407 (1983). The inquiry into the “public interest” is broad and the
 8 Commission should examine all the evidence available in determining what is the
 9 public interest. *See Pueblo Del Sol Water*, 160 Ariz. at 286.

10 The factors set forth in Rule 803(C), the so-called “No-Harm” Rule, express the
 11 areas that are of usual concern when evaluating transactions regarding the holding
 12 company structure. Rule 803(C) employs the permissive “may” to evaluate when
 13 rejection of a proposed transaction is appropriate. The use of the term “may”
 14 suggests that the Commission has broader discretion to consider factors other than
 15 those expressed in the Rule... The duty to act in the public interest requires this
 16 Commission to consider all factors implicated in this transaction and not solely
 17 the impairment of the financial status or services of the public service
 18 corporations.¹⁰

19 52. The Arizona Supreme Court recognizes the Commission’s authority to conduct a
 20 public interest inquiry when considering affiliated entities’ transactions. In *Ariz. Corp. Com’n v.*
 21 *State ex rel. Woods*, 171 Ariz. 286 (1992), the Court stated:

22 The Commission was not designed to protect public service corporations and their
 23 management, but, rather, was established to protect our citizens from the results
 24 of speculation, mismanagement, and abuse of power. To accomplish those
 25 objectives, the Commission must have the power to obtain information about, and
 26 take action to prevent, unwise management or even mismanagement and to
 27 forestall its consequences in intercompany transactions significantly affecting a
 28 public service corporation’s structure or capitalization. It would subvert the intent
 of the framers to limit the Commission’s ratemaking powers so that it could do no
 more than raise utility rates to cure the damage from inter-company
 transactions.... The Commission must certainly be given the power to prevent a
 public utility corporation from engaging in transactions that will so adversely
 affect its financial position that the ratepayers will have to make good the losses,
 and it cannot do so in any common sense manner absent the authority to approve
 or disapprove such transactions in advance. To put it simply, the Commission
 was given the power [by the Arizona Constitution] to lock the barn door before
 the horse escapes. (171 Ariz. 286, 296-297)¹¹

53. The matter before the Commission involves the merger of QCII, which is the parent
 company of QC—an entity which is the largest provider of telecommunications services in
 Arizona—into CTL, an entity with little presence in Arizona. The proposed merger has many

¹⁰ Decision No. 67454, pages 29-30.

¹¹ *In the Matter of the Joint Notice of Intent by Verizon Communications, Inc., and MCI Inc., on Behalf of its Regulated Subsidiaries*, Decision No. 68348 (December 9, 2005), page 12.

1 possible substantial ramifications for customers, both retail and wholesale, as well as for the entities'
 2 employees. Accordingly, we evaluate the proposed merger pursuant to the authority granted the
 3 Commission under the Arizona Constitution, pursuant to the Affiliated Interest Rules and with an
 4 overall goal of protecting the interests of all stakeholders, especially those of ratepayers.

5 FEDERAL OBLIGATIONS UNDER THE TELECOMMUNICATIONS ACT OF 1996

6 54. QC operates in Arizona as not only an ILEC, but also a bell operating company
 7 (“BOC”),¹² and as such, QC is governed by a number of obligations imposed on it by the Federal
 8 Communications Commission (“FCC”) under the Act. If the merger is approved, and QC’s parent
 9 company, QCII, is subsumed by CTL, QC’s ILEC and BOC obligations will continue.

10 55. Section 251 of the Act requires ILECs such as QC to allow interconnection with the
 11 facilities and equipment of other telecommunications carriers. The goal is to afford “CLECs equal
 12 and non-discriminatory access to ILEC network facilities, systems and services.”¹³

13 56. In Arizona, QC is also a BOC, and therefore, subject to Section 271 of the Act, which
 14 requires BOCs to comply with a 14-point competitive checklist before the BOC may provide in-
 15 region interLATA services. In his testimony, Mr. Gates claims that “[t]he FCC granted Qwest 271
 16 authority throughout its 14-state BOC territory in the 2002-2003 timeframe. Non-BOC ILECs, such
 17 as CenturyLink, are not required to comply with Section 271 requirements.”¹⁴ As will be discussed
 18 later, the fact that CenturyLink has not had to comply with BOC requirements before is a point of
 19 concern for some CLECs.

20
 21
 22
 23 ¹² “A BOC is one of the 22 regulated telephone companies of the former Bell System, which was broken apart (the
 24 Divestiture of the Bell System) at midnight on December 31, 1983. At Divestiture, the bell operating companies were
 25 grouped into seven Regional Holding Companies (RHCs). According to the terms of the Divestiture Agreement between
 26 the Federal Government and AT&T, the divested companies must limit their activities to local telephone services,
 27 directory service, customer premise equipment, cellular radio and any other ventures as the Federal Court may approve
 28 from time to time. BOCs are specifically limited from manufacturing equipment and from providing long distance
 service.” *Newton’s Telecom Dictionary*, Harry Newton, 24th Edition, March 2008, pages 153-154.

¹³ Direct Testimony of Timothy J. Gates, page 8. Mr. Gates’ Direct and Rebuttal Testimony was provided on behalf of
 the Joint CLECs Integra, Level 3, PAETEC and TWTA. Because Integra reached a settlement with the Joint Applicants,
 his Settlement Agreement Testimony and his testimony at hearing was provided on behalf of PAETEC, TWTA and Level
 3. TWTA settled with the Joint Applicants after hearing and after filing a Post-Hearing Brief.

¹⁴ *Id.*

1 57. In spite of the FCC's overall regulation of the telecommunications industry, states do
2 have some oversight over ILECs and, to a certain extent, BOCs. As explained by Joint CLEC
3 witness, Timothy Gates:

4 The state commissions have jurisdiction over approving ICAs [interconnection
5 agreements] and related disputes (*e.g.*, arbitrations) pursuant to Section 252 of the
6 Act and numerous provisions of state law. State Commissions also establish the
7 rates ILECs are permitted to charge for UNEs [unbundled network elements],
8 interconnection and collocation under Sections 251 and 252, applying the FCC's
9 total element long-run incremental cost methodology ("TELRIC"). State
10 Commissions also determine whether certain ILEC central offices meet the
11 federal standards for "delisting" UNE loops or transport as a Section 251
12 unbundled network element. In addition, states provided consultations to the FCC
13 in relation to the BOCs' applications for Section 271 approval. ...[i]n this role the
14 state commissions conducted several years worth of fact-finding, hearings, and
15 testing, and issued extensive recommendations to the FCC regarding the BOCs'
16 adherence to the 14-point competitive checklist. Many states have continued their
17 role in monitoring Qwest's compliance with Section 271 requirements by
18 monitoring the Change Management Process ("CMP") and Qwest's wholesale
19 performance indicators and associated performance remedy plans. Furthermore,
20 states have an important role in determining whether a telecommunications
21 company should be relieved of its duties under Section 251 based upon the rural
22 status of that company.¹⁵

OVERVIEW OF APPLICATION

15 58. The Joint Applicants seek the Commission's approval of an indirect transfer of control
16 of QCII to CTL. The Joint Applicants assert that the transfer "will result in a combined company
17 with greater network and financial resources to provide voice, broadband data, and other advanced
18 communications services to Arizona customers. The combined company will have the national
19 breadth and local depth to provide a compelling array of products and services to its customers."¹⁶

20 59. The proposed merger was approved by each company's respective shareholders in
21 August 2010,¹⁷ and the transaction is anticipated to close in the first half of 2011. In their Post-
22 Hearing Brief, the Joint Applicants provided a list of jurisdictions in which the merger has been
23 approved as of January 18, 2011. (The list is attached as Exhibit B.)

27 ¹⁵ *Id.*, pages 8-9.

28 ¹⁶ Application, page 2.

¹⁷ Hearing Transcript ("Tr.") at 46. (Glover); Tr. at 239. (Campbell)

1 **THE TRANSACTION**

2 **MECHANICS OF THE TRANSACTION**

3 60. On April 21, 2010, QCII, CTL and Acquisition Company entered into an Agreement
4 and Plan of Merger (“Merger Agreement”), which governs the terms and conditions of this
5 transaction (“Transaction”). Under terms of the Merger Agreement, QCII and Acquisition Company
6 will merge, with QCII as the surviving entity and Acquisition Company’s corporate existence will
7 terminate. QCII will then become a wholly-owned, first-tier subsidiary of CTL. (An organizational
8 chart provided by the Joint Applicants of the entities pre- and post-transaction is attached at Exhibit
9 C.)

10 61. The Joint Applicants note that, because the Transaction is a combination of the parent
11 companies only, “it is not a transaction in which local exchanges, companies, or assets are being sold,
12 combined or transferred to a new provider.”¹⁸

13 62. The Joint Applicants also state that the Transaction is a tax-free, stock-for-stock
14 conversion requiring no new debt or refinancing. According to the Application:

15 Shareholders of QCII will receive 0.1664 shares of [CTL] common stock for each
16 share of QCII common stock owned at closing. Upon closing, the shareholders of
17 pre-merger [CTL] will own approximately 50.5% of post-merger [CTL] and the
18 shareholders of pre-merger QCII will own approximately 49.5% of post-merger
[CTL]. [CTL] will issue new stock to acquire QCII; it is not paying cash or
financing the Transaction through debt.¹⁹

19 63. Further, the Joint Applicants state in the Application, that the Transaction will be
20 seamless to all customers:

21 The Transaction contemplates a parent-level transfer of control of QCII only.
22 QC, QCC, QLDC, [CLT, CL AND CTS] will continue as separate certificated
23 carriers and each will continue to have the requisite managerial, technical and
24 financial capacity to provide services to its customers. Immediately upon
25 completion of the Transaction, end users and wholesale customers will continue
26 to receive service from the same carrier, at the same rates, terms and conditions
and under the same tariffs, price plans, interconnection agreements, and other
regulatory obligations as immediately prior to the Transaction; as such, the
Transaction will be seamless to the customers. Any subsequent service or price
changes will be made, just as they are now, in accordance with all applicable rules

27
28 ¹⁸ Application, page 4.

¹⁹ *Id.*

and laws. Moreover, the Transaction does not alter or change the jurisdiction of the Commission over the certificated service providers.²⁰

64. Qwest witness, Jim Campbell, Arizona State President for Qwest, noted that Merged Company will abide by all applicable regulatory obligations including QC's Price Cap Plan, Qwest's Service Quality Plan and existing tariffs.²¹ Mr. Campbell stated that upon completion of the Transaction, "there may be a change in the names under which the companies are doing business (i.e., the "d/b/a" name), and retail billing operations may be combined, but otherwise the Transaction will be transparent for customers. Retail end users and wholesale customers will continue to receive service from the same carrier that serves them today."²²

CENTURYLINK'S TECHNICAL CAPABILITIES

65. CenturyLink witness Todd Schafer, President for CenturyLink's Mid-Atlantic Region, states in his testimony that CenturyLink began as a single-exchange, family-run local telephone company in 1930. Over the years, CenturyLink has engaged in a large number of acquisitions, to the point where the company is now providing a variety of telecommunications services in 33 states.²³

66. Mr. Schafer describes these diverse services as follows:

These services include a host of local and long-distance voice, high-speed Internet, video entertainment and wholesale local network access services, as well as a variety of broadband and high bandwidth services. In various areas, CenturyLink also offers security monitoring, home networking, data hosting, national and metro Ethernet, systems/network management and other professional, business and other information services. To secure its position as a leading provider of advanced broadband services, the company has invested heavily not only to extend its fiber core network, but also to deploy fiber deeper into its local networks. CenturyLink has been a leader in the launching of DSL offerings and is expanding or preparing to expand its Internet protocol television ("IPTV") product into additional locations which is made possible by the investment in faster broadband speeds. We are in the process of building out and turning up additional IPTV markets. We anticipate staggered turn ups with availability to significant customer bases throughout the rest of 2010 and the first half of 2011.²⁴

67. In order to achieve these capabilities, over the years CenturyLink undertook a number of acquisitions of ever larger telecommunications providers. Between 1997 and 2009, CenturyLink closed seven acquisition transactions; the most recent transaction was CenturyLink's acquisition in

²⁰ *Id.*, pages 4-5.

²¹ Direct Testimony of Jim Campbell, page 9.

²² *Id.*

²³ Direct Testimony of Todd Schafer, page 3.

²⁴ *Id.*, page 4.

1 2009 of Embarq Corporation (“Embarq”)—more than tripling the size of CenturyLink.²⁵ The
 2 integration of Embarq into CenturyLink is ongoing and the company expects to complete full
 3 integration by fall of 2011.

4 68. The acquisition and integration of Qwest by CenturyLink, when CenturyLink has not
 5 yet completed the integration of Embarq, has been a concern for a number of the parties, including
 6 Staff.²⁶

7 69. Another concern is that, although CenturyLink has experience in operating in many
 8 states as an ILEC, most of its experience has been in rural areas, not major metropolitan areas.

9 70. A third concern about CenturyLink’s technical capabilities is what some parties assert
 10 is CenturyLink’s lack of experience operating a BOC, and, therefore, its lack of expertise in
 11 complying with the requirements of Section 271 and Section 272 of the Act.²⁷ Staff was one of the
 12 parties initially expressing concern on this issue: “Until recently with the acquisition of Embarq,
 13 CenturyLink’s operations have been focused on rural areas. Qwest is a large ILEC serving many
 14 large metropolitan areas in its 14-state region. Qwest is also a BOC and subject to § 271 obligations.
 15 CenturyLink has no experience with § 271 obligations.”²⁸

16 71. A final concern raised by the Joint CLECs is the generally poor record of successes in
 17 telecommunications mergers. The Joint CLECs provided the testimony of Dr. August Ankum, who
 18 cited to recent troubled mergers in the Hawaiian Telecom and FairPoint transactions as examples of
 19 smaller telecommunications companies taking over larger telecommunications companies resulting in
 20 large scale system issues and outages.²⁹ Ultimately, post merger problems and failures drove both
 21 Hawaiian Telecom and FairPoint to file Chapter 11 bankruptcy petitions.³⁰

22
 23 _____
²⁵ *Id.*, Exhibit TS-1.

24 ²⁶ Direct Testimony of Armando Fimbres, page 15: “Staff’s primary concern is the same as most of the intervenors in this
 proceeding. CenturyLink is still integrating Embarq’s support systems. CenturyLink should not proceed to integrate
 25 Qwest’s systems until the Embarq integration is completed.”

26 ²⁷ Direct Testimony of Dr. August Ankum, page 12: “To be sure, the challenge of integrating and running Qwest, with its
 unique BOC obligations, comparatively enormous customer base, substantial wholesale responsibilities, and a complex
 set of operational support systems, is particularly daunting and far beyond anything CenturyLink has faced to date.” See
 27 also, Direct Testimony of James Falvey, page 9. (Pac-West)

²⁸ Direct Testimony of Armando Fimbres, page 10.

²⁹ Direct Testimony of Dr. August Ankum, page 29.

28 ³⁰ *Id.*, page 28.

1 72. In response to these concerns, CenturyLink emphasizes that CenturyLink is subsuming
2 Qwest in its entirety, rather than purchasing only parts of Qwest. Immediately after the Transaction
3 closes, Qwest will still be operating as Qwest in Arizona, using its current systems, plant and
4 employees. Kristin McMillan, Vice President, State External Relations—Western Region for
5 CenturyLink, stated:

6 [T]he Arizona ILEC, Qwest, will continue operations as a BOC. Qwest's assets,
7 personnel and systems will be absorbed in full. That is, on the day after the
8 closing of the Transaction, the Qwest systems and personnel that currently
9 manage BOC operations will continue to meet any and all obligations to
customers and regulators. Qwest has operated as a BOC, even as management at
Qwest has transitioned over time, and will continue to operate as a BOC with the
retained ability to meet BOC obligations.³¹

10 73. Staff witness Pamela Genung noted that although CenturyLink is still working through
11 the integration of Embarq, after closing, the Merged Company will have a "highly talented and
12 experienced pool of employees available between the combined Qwest and CenturyLink companies
13 to fulfill its obligations of the merger between the two companies."³²

14 74. CenturyLink also points out that with the acquisition of Embarq it operates in large
15 urban areas such as Las Vegas.³³

16 75. As to assertions that this proposed merger is comparable to the Hawaiian Telecom and
17 FairPoint mergers, the Joint Applicants disagree. In their Post-Hearing Brief, the Joint Applicants
18 argue:

19 To begin with, neither [Hawaiian] nor FairPoint had the kind of experience that
20 CenturyLink has in successfully acquiring and integrating other
21 telecommunications companies. CenturyLink has a history of successful
22 acquisitions and integrations over the last 13 years. The most recent transaction,
CenturyTel's acquisition of Embarq, is on track for successful completion of all
systems integration by third quarter 2011, and the transaction has been successful
by a number of measures...

23 * * * * *

24 In contrast [to the Hawaiian and FairPoint matters], the current Transaction will
25 involve the phased-in integration of systems with no externally-imposed timeline
26 or mandate for conversion of systems. Although the ultimate objective is a single
integrated platform for each major system (e.g. billing, ordering, etc.), the Qwest
and CenturyLink systems can run in parallel for as long as necessary. Most
importantly, this merger results in a *combination* of systems, employees and

27 ³¹ Rebuttal Testimony of Kristen McMillan, page 25.

28 ³² Direct Testimony of Pamela Genung, page 27.

³³ Post-Hearing Brief of the Joint Applicants, page 51.

1 expertise, *not a transfer* from one entity to an entirely different provider.³⁴
 2 (Emphasis original. Footnotes omitted.)

3 76. Although CenturyLink has a history of successful acquisitions and integrations, the
 4 Embarq integration has not been without its difficulties. For example, Mr. Schafer acknowledged
 5 that in North Carolina problems arose with the conversion of legacy Embarq systems into
 6 CenturyLink. According to Mr. Schafer, CenturyLink learned that in the process of converting
 7 approximately 950,000 access lines in North Carolina, the records of approximately 2,000 devices
 8 did not load correctly during the conversion. The problems arose when the conversions began in
 9 May 2010 and by September 2010, the majority of the problems were fixed. By the time Mr. Schafer
 10 testified on December 13, 2010, all of the problems loading records had been resolved.³⁵

11 77. Mr. Schafer conceded that “[w]henver converting millions of pieces of data from
 12 various systems, there will be issues,” but he asserts that CenturyLink’s experience in acquisitions and
 13 integration and its “approach to converting manageable pieces of systems as well as its significant
 14 experience in conversion allows for mitigation of issues and timely resolution.”³⁶

15 78. Parties expressed concern that decisions regarding integration and conversion of
 16 Qwest’s systems have not yet been made, and will not be made, until after the Transaction closes.³⁷
 17 The Joint Applicants respond that, although decisions regarding systems integration for the Merged
 18 Company have not yet been made, CenturyLink reiterates that it is obtaining Qwest in its entirety,
 19 including its systems and personnel, and the Merged Company has the ability to operate using dual
 20 systems for as long as management deems it prudent.³⁸ According to Michael Hunsucker, Director—
 21 CLEC Management for CenturyLink, CenturyLink has in place a process used to determine the best
 22 way to integrate Qwest:

23 An in-depth analysis will be conducted on systems capabilities, skill sets required
 24 for operation, and overall business processes before any decisions are made.
 25 Senior level management will then review and approve all core system selection
 26 and implementation plans. The critical systems migration criteria CenturyLink is
 27 using include:

- 28 • Minimal impact to customers,

³⁴ *Id.*, pages 15-16.

³⁵ Tr. at 123-125. (Schafer)

³⁶ Tr. at 121-126. (Schafer)

³⁷ See, for example, Direct Testimony of Armando Fimbres, page 20; Direct Testimony of Timothy J. Gates, page 4.

³⁸ Post-Hearing Brief of the Joint Applicants, page 32.

- 1 • Systems scalability,
- 2 • Ease of operation,
- 3 • Overall support of key business needs, including functionality, efficiency,
- 4 dependability, and quality of service,
- 5 • IT systems infrastructure simplification where possible,
- 6 • Meeting legal and contractual obligations, and
- 7 • Meeting all State and Federal notification requirements.³⁹

8 79. Jeff Glover, Vice President–Regulatory Operations & Policy for CenturyLink, testified
 9 at length regarding CenturyLink’s integration process⁴⁰ and provided to the Commission a
 10 confidential exhibit, CTL-10CF, which provides further information about the decision-making
 11 process.

12 80. Staff witness Armando Fimbres asserted that “[i]nsistence on reviewing key plans
 13 before granting approval in this matter may actually serve to undermine potential benefits by shifting
 14 the planning resources allocated by the Applicants.”⁴¹ Mr. Fimbres concluded that “customer and
 15 capital market perceptions from a failure to close the proposed merger on reasonable terms will
 16 surely not be favorable to Qwest or the Arizona telecommunications environment, resulting in
 17 operating and environmental conditions less in the public interest than proceeding cautiously with the
 18 proposed merger based on recommended conditions.”⁴²

19 81. After closing, the management of the Merged Company will be a combination of both
 20 CenturyLink and Qwest senior management. According to Ms. McMillan, the Tier 1 management
 21 post-merger will be Glen F. Post, III, current Chief Executive Officer, R. Stewart Ewing, Jr., the
 22 current Chief Financial Officer, and Karen A. Puckett, the current Chief Operating Officer, all of
 23 CenturyLink. Ms. McMillan notes that “Mr. Post, Mr. Ewing and Ms. Puckett have a combined total
 24 of approximately 88 years experience in the communications industry, and have worked together at
 25
 26

27 ³⁹ Rebuttal Testimony of Michael Hunsucker, page 19.

⁴⁰ Tr. at 172-180.

28 ⁴¹ Direct Testimony of Armando Fimbres, page 25.

⁴² *Id.*

1 CenturyLink for the past decade.”⁴³ Christopher K. Ancell, the current Executive Vice President of
 2 Business Markets Group for Qwest will assume a similar position with CenturyLink post-merger.⁴⁴

3 82. Additionally, on September 10, 2010, Tier 2 leadership (which are positions that
 4 report directly to senior management) for the Merged Companies was announced. In her Rebuttal
 5 Testimony, Ms. McMillan stated:

6 This announcement also included the alignment of the combined company’s
 7 Arizona operations into one of six regions. Arizona will be part of the newly
 8 formed Southwest region which also includes operations in the states of Nevada
 9 and New Mexico. Terry Beeler, currently President of the Western Region for
 10 CenturyLink, will become the Southwest Region President upon the close of the
 11 Transaction. On October 19, 2010, there was an announcement of additional Tier
 2 appointments, including Jerry Fenn, currently State President for Qwest in Utah,
 as Vice President—Western Region Regulatory and Legislative Affairs,
 supporting the Northwest and Southwest Regions (including Arizona) except for
 New Mexico and with the addition of Utah.⁴⁵

12 83. During hearing, Mr. Glover testified that there will be six regional headquarters across
 13 its 37-state area and the Merged Company will be locating one of those regional headquarters in
 14 Phoenix.⁴⁶ Mr. Glover stated that the employee base at these headquarters would likely be a mix of
 15 experienced Qwest and CenturyLink employees, as well as new hires.⁴⁷

16 FINANCIAL CONSIDERATIONS

17 84. Although this is a stock-for-stock transaction, at the time of the announcement of the
 18 merger, the value of the transaction was approximately \$22.4 billion dollars. Mr. Glover testified at
 19 hearing that since that time, the value has increased: “When you look at the total enterprise value,
 20 take the debt and the stock of the company, and look at where we are, you know, the stock value of
 21 the transaction is probably in excess of \$25 billion now. And then you take the debt and the
 22 combined equity value, we are over \$40 billion.”⁴⁸

23 85. As a result of the Transaction, Mr. Glover stated that the Merged Company expects to
 24 realize operating expense synergies of approximately \$575 million over a three-to-five year period,
 25

26 ⁴³ Direct Testimony of Kristin McMillan, page 12.

⁴⁴ *Id.*

27 ⁴⁵ Rebuttal Testimony of Kristin McMillan, page 10.

⁴⁶ Tr. at 23. (Glover)

28 ⁴⁷ Tr. at 61. (Glover)

⁴⁸ Tr. at 51. (Glover)

1 and capital expenditure synergies of \$50 million, for a projected increase of \$625 million in pre-tax
2 annual cash flow.⁴⁹ “[A]ssuming the realization of synergies, the company estimates that, after all
3 costs to run the business (operating, capital and financial), it will have approximately \$2.1 billion in
4 annual free cash flow that could be used to reduce debt and to further develop its business.
5 Accordingly, the expected cash flows should provide increased flexibility for ongoing network
6 investments, product development, and retirement of debt.”⁵⁰

7 86. In reviewing the financial fitness of an entity, Staff usually considers equity of 40
8 percent of total capital as the minimum financially prudent capital structure for an investor-owned
9 utility that has access to the capital markets.

10 87. According to Staff, as of March 31, 2010, CTL’s capital structure consisted of 44.8
11 percent debt and 55.2 percent equity. As of the same, date, Staff notes QCII’s capital structure
12 consisted of \$13.546 billion in debt and a negative \$1.120 billion equity. QCII’s negative equity
13 position effectively restricts its access to the capital markets.⁵¹

14 88. Post-closing, the Joint Applicants expect a consolidated capital structure for the
15 Merged Company of 52.5 percent debt and 47.5 percent equity. As a result, the total equity
16 percentage will still be within Staff’s recommended 40 percent equity range as the minimum
17 financially prudent capital structure for an investor-owned utility with access to the capital markets.⁵²

18 89. Mr. Glover noted that when the merger was announced, CTL and QCII had a
19 combined debt of approximately \$19.4 billion in debt, with the significant portion of that attributed to
20 QCII. “At the end of the third quarter we are already down on a combined basis to \$18.3 billion, so
21 reflecting \$1.1 billion in debt reduction.”⁵³

22 90. Staff concluded that, “[t]he proposed transaction will benefit QCII’s Arizona
23 subsidiaries by providing improved access to the capital markets because the post-merger ultimate
24 parent, CenturyTel, Inc., will have a financially prudent capital structure as opposed to QCII’s
25

26 ⁴⁹ Direct Testimony of Jeff Glover, page 13.

27 ⁵⁰ *Id.*, pages 13-14.

28 ⁵¹ Direct Testimony of Pedro M. Chavez, pages 5-6.

⁵² *Id.*, page 6.

⁵³ Tr. at 51. (Glover)

1 negative equity position.”⁵⁴ RUCO concurred, asserting that, “the merged company will be a
2 financial improvement over Qwest, in a better position to attract capital and at least as good of a
3 position if not in a better position to provide reasonable and adequate service.”⁵⁵

4 91. Although the Transaction may inure to the benefit of Qwest, there is some question as
5 to its effect on CenturyLink and, ultimately, the Merged Company. On April 22, 2010, Moody’s
6 Investors Service issued a Rating Action Letter indicating that Moody’s affirmed CenturyLink’s
7 Baa3 long-term and Prime-3 short-term debt ratings, but Moody’s changed the company’s rating
8 outlook to negative upon the announcement of the merger. “The negative rating for outlook for
9 CenturyTel⁵⁶ reflects the considerable execution risks in integrating a sizable company so soon after
10 another large acquisition (Embarq in July 2009) while confronting the challenges of a secular decline
11 in the wireline industry. The negative outlook also considers the possibility that the Company may
12 not realize planned synergies in a timely manner, especially if competitive intensity increases.”⁵⁷

13 92. Standard and Poor’s took a similar action⁵⁸ and stated:

14 While the transaction improves CenturyTel’s scale, making it the third-largest
15 wireline operator in the U.S., with about 17 million access lines and 5 million
16 broadband customers, it also increases the company’s exposure to higher density
17 markets, which have significant competition from the cable providers. Access-
18 line losses at legacy CenturyTel were about 8.8% in the fourth quarter of 2009
19 compared to 11.2% at Qwest. While estimated operating cost synergies of about
20 \$575 million, which represent about 3% of total revenue, appear achievable,
integration efforts will be difficult given the size of the combined company and
CenturyTel’s integration of previously acquired Embarq will likely not be
complete until the end of 2011. Additionally, one-time integration costs of \$800
million to \$1 billion will constrain the combined company’s initial net free cash
flow.⁵⁹

21 93. Although RUCO’s witness, William Rigsby, characterized these analyses of the
22 Transaction by the rating agencies as a “knee-jerk reaction,”⁶⁰ a number of intervenors expressed
23 concern over the negative outlook and its effect on the post-merger entity.⁶¹

24
25 ⁵⁴ Direct Testimony of Pedro M. Chavez, page 6.

⁵⁵ RUCO’s Closing Brief, page 4.

26 ⁵⁶ Moody’s issued this Rating Action prior to CenturyTel’s name change to CenturyLink.

⁵⁷ Direct Testimony of Jeff Glover, Exhibit JG-3.

27 ⁵⁸ *Id.*, Exhibit JG-4, page 1.

⁵⁹ *Id.*, Exhibit JG-4, page 3.

⁶⁰ Tr. at 497. (Rigsby)

28 ⁶¹ See, for example, Direct Testimony of Dr. August Ankum, page 45, and Direct Testimony of Timothy Gates, page 77.

1 94. In response to the Rating Agencies statements and the concerns voiced by the
2 intervenors, Mr. Glover observed that, although CenturyLink has been given a negative outlook, the
3 rating agencies will not undertake to rate the Merged Company until after the Transaction is closed.
4 He points out that, as noted earlier, both Qwest and CenturyLink have been reducing their debt and
5 improving their balance sheets and he believes this will be taken into consideration by the rating
6 agencies when evaluating the Merged Company's financial outlook.⁶²

7 95. Mr. Rigsby testified about the ratings issues and his investigation into the negative
8 rating outlook and asserted that, since the announcement of the merger, nothing has come to his
9 attention that would indicate a continued negative outlook or a degraded rating post-merger. In fact,
10 Mr. Rigsby asserts that recent increases in share prices for CTL indicate a more favorable rating
11 environment.⁶³ Mr. Rigsby also stated that he reviewed CenturyLink's financial statements for the
12 2005-2009 period, "and during that period where they did have activity regarding acquisitions, the
13 company has always managed to maintain a balanced capital structure."⁶⁴

14 96. Regarding the Rating Agencies' concerns over the possibility that access line loss may
15 have an effect on CenturyLink's ability to achieve projected synergies, CenturyLink points to its
16 successful prior acquisitions and mergers, through which process it has been able to improve the
17 variety of products and services offered to customers, ultimately resulting in a reduction in the rate of
18 loss of access lines. Mr. Glover cited to the following statistics to support this assertion:

19 Illustrating this operating benefit [i.e., acquisitions ultimately resulting in a slower
20 rate of access line loss], CenturyLink reported in its 2010 first quarter earnings
21 release that access-line losses had improved by 14% compared with the losses in
22 the fourth quarter of 2009 and by 26% compared to pro forma first quarter 2009
23 (assuming the Embarq transaction had closed at the beginning of 2009). [Citation
omitted.] The improvement has come as the Company integrated the Embarq
properties, acquired July 1, 2009. The Company also reported more than 70,000
new high-speed customers were added in the first quarter of 2010.⁶⁵

24 97. In response to the assertion that the costs of integration could impact the Merged
25 Company's projected net free cash flow generation, CenturyLink argues that the record in this case

26
27 ⁶² Tr. at 37. (Glover)

⁶³ Tr. at 504. (Rigsby)

⁶⁴ *Id.*, at 513.

28 ⁶⁵ Direct Testimony of Jeff Glover, page 16.

1 demonstrates that, post-closing, the Merged Company will have “one of the strongest balance sheets
2 in the U.S. telecommunications industry.”⁶⁶

3 98. From a financial perspective, the Joint Applicants assert that the merger makes Qwest
4 a stronger, more competitive company, and improves Qwest’s financial status. Additionally, they
5 argue that the merger improves the ability of the ILEC QC to access capital at fair and reasonable
6 terms. Third, the Joint Applicants believe that the merger results in a Merged Company with
7 excellent technical, operational and managerial fitness as well as helping it to mitigate the impact of
8 access line losses. In sum, the Joint Applicants assert that the Transaction meets the financial criteria
9 for Commission approval stated in the Affiliated Interest Rules.

10 THE SETTLEMENT AGREEMENT

11 BACKGROUND

12 99. In their initial testimonies, both Staff and the intervenors asserted that if the
13 Application was to be approved, the Joint Applicants must agree to certain conditions to protect
14 various interests from harm that might occur as result of the merger.⁶⁷

15 100. Staff witness, Elijah Abinah, testified that, “[j]ust before the hearings in Arizona and
16 Colorado, the Joint Applicants were able to reach agreement with Integra, one of the largest CLECs
17 now operating in Arizona, on many wholesale conditions. The Joint Applicants proposed some of the
18 Integra conditions in lieu of the Staff conditions.”⁶⁸ As a result, the Joint Applicants, Staff, RUCO
19 and the remaining non-settling intervenors (Cox, Westel, TWTA, Pac-West, Level 3, XO, Covad and
20 PAETEC) conducted settlement negotiations November 15 through November 19, 2010.⁶⁹

21 101. During these negotiations, on November, 17, 2010, Westel entered into a settlement
22 agreement with Qwest and after the negotiations were concluded, Cox also entered into a settlement
23 agreement with the Joint Applicants on November 22, 2010. TWTA also entered into a settlement
24 agreement with the Joint Applicants on February 4, 2011, after it had filed its Post-Hearing Brief.⁷⁰

25 ⁶⁶ *Id.*, page 6.

26 ⁶⁷ For example, Staff originally proposed 47 conditions and the Joint CLECs proposed 30.

27 ⁶⁸ Direct Testimony of Elijah O. Abinah, page 9.

28 ⁶⁹ As noted earlier, intervenors 360, CWA, DOD-FEA and Integra reached settlements with the Joint Applicants prior to November 15, 2010. These entities did not participate in the negotiations which took place November 15 through November 19, 2010.

⁷⁰ The separate settlement agreements involving all settling intervenors are discussed below.

1 As a result, Pac-West, PAETEC, Level 3, XO and Covad are the remaining non-settling
2 intervenors.⁷¹ All of these entities are CLECs which are wholesale customers of Qwest.⁷²

3 102. On November 26, 2010, the Joint Applicants, Staff and RUCO filed the Settlement
4 Agreement with the Commission. The Recitals to the Settlement Agreement state that “the Settling
5 Parties agree that the negotiation process undertaken in this matter was open to all Intervenors and
6 provided all Intervenors with an equal opportunity to participate, and that all Intervenors were
7 notified of the settlement process and encouraged to participate.”⁷³ According to Mr. Abinah, the
8 non-settling CLECs will benefit from the wholesale conditions contained in the Settlement
9 Agreement. He notes, that “[s]ome CLECs did not believe the language went far enough in some
10 cases to cover their specific concerns, so they did not sign onto the agreement.”⁷⁴ Even those CLECs
11 who previously settled with the Joint Applicants will benefit from the Settlement Agreement since it
12 will apply to all Arizona CLECs, if approved by the Commission.⁷⁵

13 103. As noted above, the starting point for settlement negotiations was the settlement
14 agreement reached between the Joint Applicants and Integra (attached as Exhibit D). The non-
15 settling CLECs generally object to this because the Integra settlement was based on the needs of, and
16 the business model used by, Integra and what may suit the needs of Integra does not necessarily meet
17 the needs of all CLECs.⁷⁶ PAETEC asserts that, “[d]ifferent CLECs operate differently, and the
18 conditions that one CLEC, Integra, finds acceptable will not necessarily provide adequate protection
19 for all CLECs.”⁷⁷

20 104. Mr. Abinah notes that “Staff was not satisfied with the language of the Integra
21 Settlement Agreement at times and Staff’s revised language is reflected in the conditions contained in
22

23 ⁷¹ Even though Pac-West, XO and Covad did not settle, they did not file testimony in opposition to the Settlement
Agreement or Post-Hearing Briefs.

24 ⁷² As noted earlier, the original Joint CLECs (Integra, PAETEC, Level 3 and TWTA) jointly sponsored the Direct
Testimony of Dr. August Ankum and Timothy Gates. Because Integra settled, Dr. Ankum’s and Mr. Gates’ Rebuttal
25 Testimony, as well as Mr. Gates’ Settlement Testimony, was sponsored by PAETEC, Level 3 and TWTA. With the
advent of the Integra and TWTA settlement agreements, “Joint CLECs” shall now refer to PAETEC and Level 3.

26 ⁷³ Settlement Agreement, page 1.

27 ⁷⁴ Direct Testimony of Elijah O. Abinah, page 4.

28 ⁷⁵ *Id.*, page 5.

⁷⁶ Post-Hearing Brief of McLeodUSA Telecommunications Services Inc. d/b/a PAETEC Business Services (“PAETEC’s
Post-Hearing Brief”), page 6.

⁷⁷ *Id.*, page 6.

1 Attachment 1 of the Settlement Agreement. In addition, other Staff wholesale conditions were left in
2 place and/or modified as appropriate and included in the Agreement.”⁷⁸

3 105. In its Post-Hearing Brief, Staff explained that:

4 In Staff’s opinion, the Integra Settlement resolved a lot of the most contentious
5 issues involving wholesale services in a fair and reasonable manner. That is why
6 Staff accepted many of the Integra conditions without modification. Even though
7 TWTA, Level 3 and PAETEC do not believe the language of the Integra or Staff
8 settlements go far enough in isolated instances, there is no mistaking⁷⁹ that all three
9 carriers will benefit significantly from these settlement agreements.

8 106. In their Post-Hearing Brief, the Joint Applicants conclude:

9 No party to the Settlement Agreement, or the Integra Settlement, or the Cox
10 Settlement, obtained everything it wanted out of this case. Even though the
11 Settlement Agreement does not provide the remaining Non-Settling CLECs
12 everything they want, they have obtained significant benefits as a result of the
13 Settlement Agreement. Given that the Settlement Agreement is a *compromise*
14 that avoids litigation on a host of disputed wholesale (as well as other) conditions
15 that are now in place for the benefit of all, the wholesale benefits that it does
16 provide are manifestly in the best interest of all CLECs even if those benefits do
17 not fully satisfy the interests of any one particular CLEC.⁸⁰ (Emphasis original.)

14 OBJECTIONS TO THE SETTLEMENT AGREEMENT

15 107. In its Post-Hearing Brief, PAETEC acknowledged that the Settlement Agreement
16 addresses many concerns that it has regarding the merger, “and PAETEC agrees that those
17 commitments are necessary to protect the public interest. Accordingly, PAETEC urges the
18 Commission to adopt the commitments set forth in the Integra Settlement and the Settlement
19 Agreement as conditions to the proposed merger.”⁸¹ Nevertheless, PAETEC asserts that in the
20 conditions regarding operations support systems (“OSS”), the Joint Applicants’ commitments are not
21 enough; more is needed to protect the interests of CLECs from degradation of OSS, which could
22 result in deterioration of service to PAETEC’s customers and limit competition. PAETEC argues
23 that in order to ensure that competition is not harmed by a degradation in OSS, the Commission
24 should adopt additional commitments and clarify certain Settlement Agreement provisions (mainly
25 Condition No. 19) by including:

26 ⁷⁸ Direct Testimony of Elijah O. Abinah, page 9.

27 ⁷⁹ Commission Staff’s Post-Hearing Brief, page 21. Mr. Abinah discussed generally what are the differences between the
Integra agreement and the Settlement Agreement at hearing, Tr. at 535-536.

28 ⁸⁰ Post-Hearing Brief of the Joint Applicants, page 59.

⁸¹ PAETEC’s Post-Hearing Brief, page 2.

- 1 1) a commitment to maintain Qwest's existing OSS for at least three years to
2 match the Joint Applicants' 3-5 year synergy period;
- 3 2) a commitment that any change in OSS will not adversely impact the operations
4 of CLECs' back office systems;
- 5 3) a commitment, in connection with changes to Qwest OSS, to conduct third-
6 party testing to assure that specific components of wholesale OSS service quality,
7 including support, data, billing functionality, performance, electronic flow-through
8 and electronic bonding, are not degraded; and
- 9 4) a commitment that any costs resulting from the modification or replacement of
10 the Qwest OSS, including the costs of making the OSS functionally equivalent to the
11 existing Qwest OSS, will be considered costs of the transaction and will not be
12 charged to CLECs.⁸²

13 108. Further, the Joint CLECs' witness, Mr. Gates, testified at hearing to four conditions
14 the Joint CLECs propose. First, Mr. Gates echoes PAETEC's position that the two-year time period
15 for maintaining Qwest OSS should be extended to three years (Condition No. 19). Second, he asserts
16 that the wholesale and commercial agreements extensions should be for three years, rather than 18
17 months (Condition No. 23). Third, Mr. Gates claims that the moratorium on Qwest's right to request
18 reclassification of wire centers and its ability to petition for Section 251 and 271 forbearance should
19 be extend to three years (Condition No. 29). Finally, Mr. Gates believes that, although the Merged
20 Company agrees to adhere to proscribed wholesale service quality levels (Condition No. 20), he
21 asserts that there is really no incentive for the Merged Company do so. Accordingly, Mr. Gates
22 proposes an additional condition modifying the Qwest performance assurance plan ("QPAP"), also
23 referred to as the additional performance assurance plan, or "Additional PAP" or "APAP."⁸³

24 109. The APAP will be described, and the other non-settling CLECs' issues regarding the
25 terms of the Settlement Agreement will be discussed, in relation to the specific conditions to which
26 they apply.

27 TERMS AND CONDITIONS

28 110. There are two segments to the Settlement Agreement. The first segment encompasses
the general terms and conditions underlying the Settlement Agreement. The second segment is
Attachment 1, which contains the conditions agreed to by the Joint Applicants.

⁸² *Id.*, page 3.

⁸³ Tr. at 74-75. (Gates)

1 General Terms and Conditions

2 111. In the first segment of the Settlement Agreement, Item No. 1, "Broadband
3 Commitment," the Joint Applicants agree to invest not less than \$70 million in broadband
4 infrastructure in the state over a five-year period, beginning January 1, 2011, as found in Condition
5 No. 17, Attachment 1.

6 112. In Item 6, "No Impairment," the settling parties agree that the proposed merger meets
7 all requirements enumerated in the Affiliated Interest Rules.

8 113. In Item No. 7, "Public Interest," the settling parties agree that:

9 [W]ith this Agreement and the agreed upon conditions and commitments
10 contained herein and in Attachment 1 of this Agreement, the Joint Application of
11 Qwest and CenturyLink for approval of the proposed merger is in the public
12 interest and should be approved by the Commission. As part of meeting the
13 public interest standard, the merger will create numerous benefits to consumers in
14 the State of Arizona. Those benefits include:

- 15 a) Creation of a combined company that is stronger financially than either
16 company would be standing alone. This will provide the merged company
17 the ability to make necessary investments to its network in order to
18 provide advanced products and services.
- 19 b) Substantial investment in broadband in the state, as particularly described
20 in Section 1 above.
- 21 c) Maintenance of existing retail service quality measures for a period of two
22 (2) years.
- 23 d) Implementation of a new local market model whereby operation decisions
24 are pushed closer to the customer, increasing responsive[ness] to
25 customers' needs, marketing flexibility, and targeted investment.
- 26 e) Neither Qwest Corporation nor any successor entity will recover through
27 wholesale service rates or other fees paid by CLECs or through Arizona
28 end-user retail rates the acquisition costs of the merger.
- f) Extension of interconnection agreements, wholesale agreements,
commercial agreements and tariffs for the benefit of CLECs and their
respective customers.
- g) The Joint Applicants will evaluate existing litigation involving the
Commission and make good faith effort to resolve the issues without
further litigation.
- h) The Joint Applicants have agreed to significant reporting to the
Commission which will enable the Commission to better evaluate

improvements in service quality, customer complaints, infrastructure, broadband coverage, and the financial status of the Joint Applicants.⁸⁴

Conditions

114. The conditions set forth in Attachment 1 to the Settlement Agreement are divided into related areas as follows: Merger Costs, Regulatory, Retail Operations, Wholesale Operations, Financial, Reporting and Conservation of Commission Resources.

Merger Costs (Conditions 1-3)

115. There will be sizeable costs related to the merger. Condition No. 1 prohibits QC or any successor entity from seeking to recover through end-user retail rates, wholesale service rates or other fees paid by CLECs, the following: a) one-time transition, branding, or any other transaction-related costs; b) any acquisition premium paid by CenturyLink for QCII; and c) any increases in overall management costs that result from the transaction, including those incurred by the operating companies. Under this condition, the phrase “transaction-related costs” shall be construed to include all Merged Company costs related to or resulting from the transaction and any related transition, conversion, or migration costs and, for example, shall not be limited in time to costs incurred only through the Closing Date.”⁸⁵

116. PAETEC expressed concern over what might be a “transaction-related cost.” PAETEC wonders if, because of integration efforts, PAETEC has to expend funds to update or change its back office systems, that would be a cost that PAETEC has to absorb, or would it be a “transaction-related cost” for which the Merged Company is responsible. PAETEC believes that “[t]he commitment that a future unified OSS will be ‘functionally equivalent’⁸⁶ to the Qwest OSS rings hollow if the Joint Applicants are permitted to impose new costs or charges on CLECs to access the modified unified system”⁸⁷

117. It would be impossible to attempt to enumerate everything that might constitute a “transaction-related cost” within the context of this merger proceeding. Mr. Abinah testified that

⁸⁴ Settlement Agreement, page 3. One other public interest factor not listed above was stated by Mr. Abinah in his Direct Testimony in support of the Settlement Agreement. He states that the Settlement Agreement, “[m]aintains competition in that the merger of the Joint Applicants will not lead to a reduction in the number of providers of competitive telecommunications services in Arizona.” Direct Testimony of Elijah Abinah, page 7.

⁸⁵ Settlement Agreement, Attachment 1, page 1.

⁸⁶ See the discussion of Condition No. 19, below.

⁸⁷ PAETEC Post-Hearing Brief, pages 40-41.

1 there are a number of ways to determine whether a cost is transaction-related. If the Commission is
2 asked by the Merged Company to allow recovery of such costs, Staff can make a recommendation as
3 to whether it is appropriate to identify a requested expense as a transaction-related cost. Also, if a
4 CLEC believed it was being billed for something it felt was a transaction-related cost, Mr. Abinah
5 stated that the CLEC should first try to resolve the issue with its provider. If they are unable to
6 resolve the issue, the entities may come to the Commission for mediation, or ultimately, file a
7 complaint.⁸⁸

8 118. Condition Nos. 2 and 3 require the Merged Company to provide to the Commission
9 access to all books and other data pertaining to the merger, and the Commission reserves the right to
10 review for reasonableness, all financial aspects of the Transaction in any relevant proceeding. Mr.
11 Abinah testified that the Commission would not be conducting any proactive, ongoing oversight of
12 the integration to ensure that merger related costs are not passed on to the Merged Company's
13 customers, but he did note that the Commission may, at any time, initiate a docket to look at a
14 company's books. Staff may also look at the costs in question if a complaint is filed. Mr. Abinah
15 concluded, "I know the issue is trust but verify."⁸⁹

16 Regulatory (Conditions 4-9)

17 119. Condition Nos. 4 and 5 require that, after closing, the QC ILEC shall continue to be
18 classified as a BOC under Section 3(4)(A)-(B) of the Act, and shall continue to be subject to the
19 requirements applicable to a BOC, including Sections 271 and 272. Additionally, the Merged
20 Company agrees that QC or any successor entity will comply with all Section 271 requirements
21 adopted by the Commission and the FCC, "including all [QPAP] and Performance Indicator
22 Definition ("PID") obligations, until it is released of those obligations by the FCC and/or this
23 Commission, as appropriate."⁹⁰ As discussed earlier, parties expressed concern about CenturyLink's
24 lack of experience operating as a BOC. These Conditions state plainly that the Qwest BOC must
25 continue to comply with all the attendant BOC obligations. Failure to do so would be in violation of
26 the Settlement Agreement and the Merged Company could face sanctions by the Commission. The

27 ⁸⁸ Tr. at 549. (Abinah)

28 ⁸⁹ Tr. at 550. (Abinah)

⁹⁰ Settlement Agreement, Attachment 1, page 1.

1 Merged Company's failure to ensure that the Section 271 obligations are met could also subject the
2 Qwest BOC to sanctions by the FCC. Staff asserts that, "[w]ith the conditions in the Settlement
3 Agreement, Staff believes that concerns that the Merged Company will not have the technical
4 expertise to address BOC requirements are minimized. In addition, the Merged Company will have
5 available to it many Qwest employees who are very familiar with these requirements and who will
6 provide the necessary technical expertise. Therefore, Staff no longer views this as a legitimate
7 concern."⁹¹

8 120. As noted above, in Condition No. 5 the Merged Company agrees that QC will
9 continue to comply with the QPAP and the PIDs until it is relieved of those obligations by the FCC
10 and/or the Commission. When asked if he could envision under what circumstances Staff might
11 recommend approval of an application by Qwest to eliminate or withdraw the QPAP or the PIDs, Mr.
12 Abinah testified that Qwest has the right under this Condition to apply, "but right now Staff believes
13 it should be in place. And I don't think there is anything today that would make Staff recommend
14 elimination of the PIDs and the QPAP."⁹²

15 121. The Merged Company agrees in Condition Nos. 6, 7, 8 and 9 that it will continue to
16 comply with all relevant prior Commission orders and decisions, and further agrees that QC or any
17 successor entity will maintain its books and records in conformance with the Uniform System of
18 Accounts. Additionally, the Merged Company shall notify the Commission of any merger and/or
19 reorganization that might affect QC's Arizona ILEC operating company and shall file for
20 Commission approval under A.A.C. R14-2-801 prior to such action. Finally, the Merged Company
21 agrees to provide the Commission access to its books and records as necessary to ensure the
22 provision of service at just and reasonable rates.

23 Retail Operations (Conditions 10-18)

24 122. As noted earlier, CenturyLink's subsidiary, CTS, is authorized to provide resold long
25 distance services and competitive local exchange services in Arizona, although it currently serves no
26 Arizona customers. Staff asserts that this could result in a situation where a CTL subsidiary will be

27 _____
28 ⁹¹ Commission Staff's Post-Hearing Brief, page 15.

⁹² Tr. at 552. (Abinah)

1 providing CLEC service in the same area that Qwest will be providing service as an ILEC. As
2 explained in Mr. Fimbres' Direct Testimony:

3 Staff's concern in this type of situation is that the Merged Company could use its
4 CLEC operations to migrate customers from its ILEC affiliate [QC], impacting
5 rate base and evading the more stringent requirements typically applied to ILEC
6 operations. For instance, when QCC was granted CLEC authority by the
7 Commission in Decision No. 68447 on February 2, 2006, several conditions were
8 included to minimize the potential impact on QC's ILEC operations and anti-
9 competitive market distortions. Although CenturyTel Solutions is not at present
10 providing CLEC services in Arizona, its CC&N authority is in conflict with the
11 conditional CLEC authority granted to QCC.

8 QCC's CC&N only allows for the provision of local exchange service to business
9 accounts with four (4) access lines or above within the ILEC service territories of
10 QC. QCC is not allowed to provide local exchange residence service within QC's
11 service areas. Outside of QC's ILEC areas, QCC has no restrictions on its
12 provision of residence or business services. Therefore, Staff is recommending, as
13 a retail condition...that the CenturyTel Solutions CLEC CC&N be cancelled.⁹³

12 123. CenturyLink objected to this recommendation, asserting that, "[w]hile the company
13 has no customers in Arizona today, a condition that would require cancellation of a [CC&N] after the
14 close of the merger would be unreasonable and improper in this proceeding, and would not allow
15 CenturyTel Solutions an adequate opportunity to be heard, after proper notice has been given under
16 the relevant laws and Commission rules."⁹⁴

17 124. Ultimately, Staff and CenturyLink compromised and Condition No. 10 now requires,
18 "[t]hat within 180 days following merger close, CenturyTel Solutions shall file for modification or
19 cancellation of its CLEC Certificate of Convenience & Necessity granted by Commission Decision
20 No. 63639."⁹⁵ Mr. Abinah testified that Staff believed that a 180-day time frame was appropriate to
21 give the Merged Company time to evaluate which course of action to take and the timeframe is also
22 based on the availability of Commission resources.⁹⁶

23 125. Condition No. 11 states that the Merged Company may not petition the Commission
24 for changes to Qwest's Service Quality Tariff for two years after closing, unless recommended by the
25 Commission. Mr. Abinah testified that two years was chosen as an appropriate timeframe for the
26

27 ⁹³ Direct Testimony of Armando Fimbres, page 6.

⁹⁴ Rebuttal Testimony of Kristin McMillan, page 21.

⁹⁵ Settlement Agreement, Attachment 1, page 2.

28 ⁹⁶ Tr. at 554. (Abinah)

1 Merged Company to evaluate the Service Quality Tariff and determine if it desires to apply to the
2 Commission for approval of any changes.⁹⁷

3 126. Under Condition No. 12, the Merged Company must abide by the rules and statutes
4 regarding the Arizona Universal Service Fund (“AUSF”), but the Merged Company may not file to
5 obtain funds under the AUSF until after a final order is issued by the Commission in Docket No. RT-
6 00000H-97-0137, or three years from closing, whichever comes first. Mr. Abinah testified that the
7 Joint Applicants have not indicated that they intend to apply to obtain AUSF funds.⁹⁸

8 127. Condition No. 13 requires that “the Merged Company shall maintain or improve its
9 pre-merger complaint status in the Qwest Arizona service areas.”⁹⁹ When asked how Staff might
10 quantify this to ensure compliance under the Settlement Agreement, Mr. Abinah provided an example
11 that if, pre-merger, Qwest averaged five complaints per 10,000 access lines per year, then post-
12 merger, the Merged Company should not go above that complaint average and should strive to
13 improve it. Mr. Abinah noted that the Commission’s Consumer Services Section keeps track of the
14 complaints, so Staff will know whether the complaint average is being maintained or improved or
15 degraded.¹⁰⁰

16 128. One way that CenturyLink intends to address customer complaints is its
17 implementation of a “Go-to-Market” model in the Qwest service areas. Under this model, operating
18 decisions are pushed closer to the customer, increasing responsiveness to customers’ needs.¹⁰¹ The
19 focus on the local market allows for the provision of more direct and localized service and a faster
20 response to customers.¹⁰²

21 129. Condition No. 14 contains a number of requirements relating to retail support systems.
22 Under Condition No. 14, the Merged Company shall:

- 23 • Ensure that retail support centers are sufficiently staffed with adequately
24 trained personnel who will provide a level of service not less than, and
25 functionally equivalent to, that provided in the Qwest service areas prior to the
merger.

26 ⁹⁷ Tr. at 554. (Abinah)

27 ⁹⁸ Tr. at 555. (Abinah)

28 ⁹⁹ Settlement Agreement, Attachment 1, page 2.

¹⁰⁰ Tr. at 556. (Abinah)

¹⁰¹ RUCO’s Closing Brief, page 11.

¹⁰² Direct Testimony of Todd Schafer, page 9.

- 1 • Every six months for three years the Merged Company shall provide to Staff a
2 report showing integration plans describing the schedule and scope of major
3 systems conversions that may impact Arizona customers, including business
4 office and trouble reporting call centers, maintenance systems, engineering
5 systems, outside plant record systems, billing systems and wholesale OSS.
- 6 • This report shall be provided to the Commissioners, the Director of the
7 Utilities Division, and the Director of RUCO at least 90 days before any of
8 these changes are implemented.

9 130. The term “functionally equivalent” is used a number of times throughout the
10 Settlement Agreement (see also Condition Nos. 19 and 24), but it is not defined. When asked how
11 Staff defines “functionally equivalent,” Mr. Abinah testified that the Merged Company “should at
12 least provide a similar service that it provides today, but if the company wants to improve the system
13 based on technology or whatever, they should be able to do that.”¹⁰³ In its Post-Hearing Brief, Staff
14 explained that:

15 These terms were thoroughly discussed and fiercely negotiated during the
16 settlement process in this case and represent the best efforts of the Applicants,
17 Staff and RUCO to set forth measurements that will be flexible enough to meet
18 industry changes yet clear enough that the Merged Company understands what is
19 expected of it and the Commission has the ability to assure compliance. Staff is
20 of the opinion that the chosen terminology does just that.¹⁰⁴

21 131. Under Condition No. 15, the Merged Company may not discontinue any Commission-
22 regulated intrastate retail service currently offered to customers by QC for one year after closing,
23 except as approved by the Commission. Although the Merged Company may not discontinue a retail
24 service for one year without Commission approval, even after the expiration of this Condition, the
25 Merged Company must still seek approval from the Commission to take such action under current
26 regulations.¹⁰⁵

27 132. Condition No. 16 is designed to give the Commission a level of comfort regarding any
28 concerns parties may have about the effect of systems integration on retail customers. Condition No.
16 requires the Merged Company, for a period of three years after closing, to give the Commission at
least 90 days notice of any integration plans that incorporate Qwest’s retail support systems with
CenturyLink or Embarq systems. This notice must detail the proposed integration, the anticipated

¹⁰³ Tr. at 556. (Abinah)

¹⁰⁴ Commission Staff’s Post-Hearing Brief, page 23; Tr. at 556 (Abinah)

¹⁰⁵ Tr. at 557. (Abinah)

1 schedule for the integration, what support system is being replaced and what support system will
2 survive. The notice must also detail the problems that occurred with similar integrations in other
3 jurisdictions and how the Merged Company plans to prevent these problems from occurring in
4 Arizona. Finally, the Merged Company must explain how the proposed retail operations integration
5 will improve, or at least maintain Qwest's current retail support systems.

6 133. Condition No. 17 states that QC has committed to investing \$70 million in broadband
7 infrastructure in Arizona over a five-year period, beginning January 1, 2011. RUCO points out that
8 the commitment of \$70 million has been matched by "only two other states in Qwest's entire service
9 territory—Colorado and Oregon. In Colorado, Qwest serves more customers than in Arizona. Based
10 on the number of end users, by comparison Arizona's broadband commitment is one of the top
11 commitments in the entire Qwest territory."¹⁰⁶

12 134. We note that there is an inconsistency in the Settlement Agreement about whose
13 responsibility it is to provide the \$70 million in broadband infrastructure. Item No. 1 in the
14 Settlement Agreement, "Broadband Commitment," reads that the Joint Applicants shall invest no less
15 than \$70 million in broadband infrastructure. On the other hand, Condition No. 17 states that the
16 Qwest Corporation shall make the investment. In their Post-Hearing Brief, the Joint Applicants state,
17 "Section 1 of the Settlement Agreement commits the merged company to invest no less than \$70
18 million in broadband infrastructure in the State of Arizona..."¹⁰⁷ In Staff's Post-Hearing Brief, Staff
19 states that, "[i]n Condition 17, the Merged Company has committed to invest at least \$70 million in
20 broadband improvements."¹⁰⁸ From these statements we conclude that the intention is for the
21 broadband commitment to be that of the Merged Company.

22 135. Accordingly, we clarify that Condition No. 17 means: "The Merged Company shall
23 invest not less than \$70 million in broadband infrastructure in Arizona over a five-year period
24 beginning January 1, 2011."

25
26
27 ¹⁰⁶ RUCO's Closing Brief, page 7.

¹⁰⁷ Post-Hearing Brief of the Joint Applicants, page 63.

28 ¹⁰⁸ Commission Staff's Post-Hearing Brief, page 19.

1 136. In addition to the broadband commitment required in Condition No. 17, Condition No.
2 18 requires the Merged Company to apprise the Commission of its IPTV deployment plans no less
3 than 30 days prior to the commercial launch of IPTV in the Qwest ILEC areas, and also requires that:

4 For a period of three years, the Merged Company will meet with Commission
5 Staff and RUCO annually, on a confidential basis, within 60 days of the
6 anniversary date of the merger, to review 1) broadband deployment plans in the
7 state including deployment in the previous year and deployment plans for the
8 upcoming year; 2) compliance with the broadband commitment in condition 17
9 including the status of wireline broadband service in unserved and underserved
10 areas; and 3) the status of the offering of Pure Broadband and extended DSL
11 service in the Arizona Qwest ILEC service area.

12 For purposes of this condition, “unserved” means an area that has no wireline
13 broadband service, and “underserved” means an area with wireline broadband
14 service but only at download speeds of 1.5 Mbps or less, and “area” means one or
15 more living units.¹⁰⁹

16 137. During the public comment session, a former Qwest employee and Qwest customer
17 expressed frustration about the poor state of broadband service in the Bisbee area. While \$70 million
18 in broadband infrastructure for Arizona will be good for the state, Condition No. 18 speaks generally
19 of service to unserved and underserved areas of the state, and there is no requirement as to how those
20 funds should be expected to serve those areas, or even that the Merged Company must use the funds
21 in those areas.

22 138. In response, Staff pointed out that the Commission has no jurisdiction over
23 broadband.¹¹⁰ RUCO likewise concedes, “[s]ince broadband is an unregulated service, a multi-
24 million dollar commitment to deploy it would not be jurisdictionally available to the Commission
25 absent consent of the Joint Applicants, which would be unlikely through formal litigation.”¹¹¹
26 Nevertheless, “CenturyLink made this commitment as part of the settlement negotiations as an added
27 benefit to Arizona customers. During those negotiations, CenturyLink indicated that it did intend
28 (where economically feasible) to expand broadband into unserved and underserved markets.”¹¹² The
29 parenthetical, “where economically feasible” is not defined and there are no criteria enumerated by
30 which the Merged Company might make the decision as to where the broadband should be deployed.

¹⁰⁹ Settlement Agreement, Attachment 1, page 4.

¹¹⁰ Tr. at 560. (Abinah)

¹¹¹ RUCO’s Closing Brief, page 7.

¹¹² Commission Staff’s Post-Hearing Brief, pages 19-20.

1 139. Both Staff and RUCO reject any idea that the Commission should dictate to the
2 Merged Company how and where it must expend the \$70 million. RUCO argues that “Commission-
3 directed deployment of broadband would have the effect of politicizing these decisions. The
4 Commission would be in the unenviable position of selecting some communities and rejecting
5 others.”¹¹³ Staff and RUCO both agree that:

6 By giving the Joint Applicants discretion on where to deploy the \$70 million of
7 broadband infrastructure, the merged company, with its intimate knowledge of its
8 infrastructure and its service territory, can maximize its resources in ways that
9 will result in the largest number of customers receiving the greatest benefit. The
10 merged company is in the best position to ascertain where broadband can best be
11 deployed. It seems unlikely that RUCO or Staff would be in a better position than
12 the merged company to make specific allocation of broadband, at least at the
beginning. RUCO and Staff, however will have the ability to review the
deployment of the broadband over the next three years and offer input, including
specific allocation recommendations, pursuant to the reporting requirements of
the Settlement. Absent the Settlement, the utility is under no obligation to report
to RUCO, Staff or the Commission on its unregulated services including
broadband.”¹¹⁴

13 140. Staff and RUCO believe that the terms of Condition No. 18 requiring the Merged
14 Company to report on deployment schedules and plans provide sufficient safeguards to ensure
15 provision of broadband service to the unserved and underserved portions of ILEC QC’s service
16 areas.¹¹⁵

17 141. Condition No. 18 also requires that the Merged Company meet with Staff and RUCO
18 once a year for three years to discuss deployment; however, the commitment is spread out over five
19 years. Mr. Abinah stated that it is Staff’s hope that the \$70 million will have been expended by the
20 end of three years. If, after that time, the deployment is still ongoing, Staff would request the Merged
21 Company to continue to meet with Staff until the \$70 million has been expended.¹¹⁶

22 142. We believe it more prudent to require the Merged Company to meet with Staff to
23 report on the broadband deployment progress once a year for five years or until the \$70 million
24 commitment has been met, whichever comes first.

27 ¹¹³ RUCO’s Closing Brief, page 8.

¹¹⁴ *Id.* See also, Tr. at 560. (Abinah)

¹¹⁵ Commission Staff’s Post-Hearing Brief, page 23.

¹¹⁶ Tr. at 559. (Abinah.)

1 Wholesale Operations (Conditions 19-31)

2 143. Because the majority of the intervenors in this matter are CLECs, much of the
3 discussion surrounding the Transaction centered on its effects upon the Merged Company's post-
4 merger wholesale operations and how Qwest's current wholesale operations might be changed in the
5 integration process. To help alleviate some of the CLECs' concerns, the Joint Applicants agreed to a
6 number of wholesale operations conditions in the Settlement Agreement, as described in their Post-
7 Hearing Brief:

8 The Settlement Agreement contains numerous wholesale conditions that balance
9 the CLEC intervenors' uniform request for post-merger certainty and stability
10 with the merged company's need for flexibility to manage its wholesale
11 operations in a manner that is efficient and will bring value to all stakeholders.
12 The Settlement Agreement provides protections regarding numerous wholesale
13 issues, including Operations Support Systems ("OSS"), interconnection
14 agreement ("ICA") negotiations, ICA extensions and opt-ins, rates and tariff
15 changes, the continuation of the Qwest Performance Assurance Plan ("PAP" or
16 "QPAP") and the Change Management Process ("CMPs"), rate and service
17 stability, the continued applicability of FCC obligations and Qwest's status as a
18 BOC.¹¹⁷

19 144. In spite of the assurances provided by the Settlement Agreement, the Joint CLECs
20 requested certain additional conditions be added or modified to allow for stronger CLEC protections.

21 145. The first wholesale condition is one of the most contentious. Under the terms of
22 Condition No. 19, the Merged Company agrees to retain Qwest's wholesale OSS for two years from
23 closing, or until July 1, 2013, whichever is later. After that time, the Merged Company commits to
24 providing a level of wholesale service quality that "is not less than that provided by Qwest prior to
25 the Closing Date, with functionally equivalent support, data, functionality, performance, electronic
26 flow through, and electronic bonding."¹¹⁸ Additionally, the Merged Company will not replace or
27 integrate the Qwest OSS without generating a detailed plan in compliance with certain procedures,
28 including 1) notice to the FCC, the Commission and the CLECs that are parties to this proceeding of
the planned integration at least 270 days prior to implementation, 2) the plan will identify
contingency actions should there be any significant problems with the planned transition, and 3) the
CLECs will have an opportunity to comment on the plan in a forum in which the plan is filed, if

¹¹⁷ Post-Hearing Brief of the Joint Applicants, page 25.

¹¹⁸ Settlement Agreement, Attachment 1, page 4.

1 allowed, as well as in the Qwest CMP. The Merged Company also commits to following the
 2 procedures in the CMP.¹¹⁹ Further, the Merged Company may not replace or retire a Qwest OSS
 3 interface without sufficient acceptance of the replacement by CLECs, and the parties will work
 4 together to determine what the acceptance criteria might be. During this process, there will be
 5 coordinated testing with CLECs, “including a stable testing environment that mirrors production,
 6 jointly established test cases, and, when applicable, controlled production testing.”¹²⁰

7 146. PAETEC believes that this Condition does not go far enough to protect against
 8 deterioration of CLEC access to, and functionality of, Qwest’s OSS. PAETEC notes that the FCC
 9 defines OSS as including five functions: 1) pre-ordering, 2) ordering, 3) provisioning, 4) maintenance
 10 and repair, and 5) billing.¹²¹ The FCC has found OSS to be a network element, and, as such, a CLEC
 11 must be permitted non-discriminatory access to the five ILEC OSS functions.¹²² Mr. Fimbres
 12 explained:

13 The OSS are the support systems which Qwest maintains for its retail
 14 organizations but which Qwest must also make available to CLECs on a non-
 15 discriminatory basis in compliance with the 1996 Act. The number one issue is
 16 the change in access to critical wholesale services and the corresponding decline
 17 in competitiveness that would result from changes to OSS services that could
 impact CLECs disproportionately compared to Qwest’s retail organizations. The
 OSS are essential, for example, in the ordering, installation and repair of
 unbundled network elements (“UNEs”), one of which is the last mile loop
 essential to many CLECs using wholesale services.

18 Qwest’s OSS were subject to in-depth review during the Arizona § 271
 19 proceeding. (*In the Matter of U.S. West Communications, Inc.’s Compliance with*
 20 *Section 271 of the Telecommunications Act of 1996*, Docket No. T-00000A-97-
 21 0238.) This was a lengthy proceeding which spanned several years and was
 22 designed to ensure that Qwest met its obligations under §§ 271 and 272 of the
 1996 Act. The Commission issued a series of orders in this proceeding
 23 addressing all of Qwest’s obligations. Under FCC orders, the BOC was required
 to demonstrate that it provided nondiscriminatory access to OSS enabling the
 BOC’s competitors to place orders for local facilities or resale services in order to
 provide service to the CLECs’ end-user customers to maintain and repair those
 facilities and to bill their customers.¹²³

24 ¹¹⁹ The Qwest CMP Document is available at <http://www.qwest.com/wholesale/cmp/>.

25 ¹²⁰ Settlement Agreement, Attachment 1, page 5.

26 ¹²¹ PAETEC Post-Hearing Brief, page 24, citing, *In the Matter of Application by Qwest Communications International,*
Inc., for Authorization to Provide In-Region, InterLATA Service in the States of Colorado, Idaho, Iowa, Montana,
Nebraska, North Dakota, Utah, Washington, and Wyoming, Memorandum Opinion and Order, WC Docket No. 02-314,
 27 FCC 02-332, Released December 23, 2002 (“Qwest 9 State Order”) at ¶ 33.

28 ¹²² *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*; First
 Report and Order, CC Docket No. 96-98, FCC 96-325, Released August 8, 1996, (“Local Competition Order”), at ¶ 10.

¹²³ Direct Testimony of Armando Fimbres, page 11.

1 147. One of PAETEC's concerns is that over the years, it has expended significant sums to
 2 ensure a smooth interface between its back office systems and Qwest's OSS. PAETEC is concerned
 3 that, after the merger, CenturyLink may attempt to impose its own OSS on CLECs, which may not be
 4 in the CLECs' best interest. Mr. Fimbres concurred, stating, "Qwest's OSS appear to be superior to
 5 both the Embarq and CenturyLink systems. It would be unacceptable, given the substantial time
 6 invested by the Commission and others in the Qwest 14 state region during the § 271 process, for
 7 CenturyLink to adopt changes to Qwest's support systems that are inferior to what is now
 8 available."¹²⁴ PAETEC, like Staff, is troubled that if the Merged Company changes OSS, this might
 9 have the effect of requiring CLECs to revert to less efficient processes and/or require the CLECs to
 10 expend significant time and money testing the new OSS, or possibly materially modify their own
 11 systems.¹²⁵

12 148. Staff and the Joint Applicants contend that Condition No. 19 was put into place to
 13 alleviate Staff's and CLECs' concerns about potential changes to OSS. The Merged Company
 14 commits to providing a level of wholesale service quality that "is not less than that provided by
 15 Qwest prior to the closing Date, with functionally equivalent support, data, functionality,
 16 performance, electronic flow through, and electronic bonding."¹²⁶ Additionally, the Merged
 17 Company agrees not to begin implementing any changes to the OSS for at least two years after
 18 closing, and only after a 270-day notice of change, extensive testing by stakeholders and
 19 implementation of the OSS under the requirements of Qwest's CMP.

20 149. PAETEC claims that these assurances by the Joint Applicants do not provide
 21 PAETEC with sufficient assurances that its back office functions will continue to interact efficiently
 22 with whatever new OSS the Merged Company produces, and PAETEC requests several
 23 modifications.

24 150. First, PAETEC requests that the two-year moratorium on OSS changes be changed to
 25 three years. According to PAETEC, this three year period is more in line with CenturyLink's 3-5
 26

27 ¹²⁴ *Id.*, page 15.

28 ¹²⁵ PAETEC Post-Hearing Brief, page 30.

¹²⁶ Settlement Agreement, Attachment 1, page 4.

1 year synergy prediction and will prevent the risk of CenturyLink achieving synergy savings through
2 degrading its OSS.¹²⁷

3 151. In response, the Joint Applicants state that, “[w]hat the non-settling CLECs
4 consistently overlook is that, in addition to maintaining Qwest OSS for two years following the
5 merger close or July 1, 2012 (whichever is later), the Joint Applicants have committed to a rigorous
6 process of notice and testing that is subject to the Qwest CMP.”¹²⁸ CenturyLink points out that it has
7 made no decisions on what OSS it will employ in the long term and what decisions it does make will
8 be the result of a thorough examination of both companies’ systems and features and draw from
9 them the best components to create a superior OSS.¹²⁹ Regarding the Joint CLECs’ assertion that
10 Condition No. 19 should be for three years instead of two, the Joint Applicants argue that it, “is
11 simply not reasonable nor based on any valid demonstration of harm to their interests, and goes far
12 beyond what those CLECs with vested commercial interests (Integra, Cox and 360networks), and
13 those with the duty to protect the public interest (like Staff), have found to be sufficient and
14 reasonable. [Additionally], all of the commissions that have addressed this additional proposed
15 condition have rejected it.”¹³⁰

16 152. We agree with the Joint Applicants and Staff and find that the two-year moratorium on
17 OSS changes is sufficient.

18 153. PAETEC next requests that Condition No. 19 be modified to include within the
19 definition of “functionally equivalent” the phrase, “including functionality affecting the operations of
20 CLEC back office functionality as of the closing date.” PAETEC asserts this modification is
21 important to it because of its concerns that changes to the OSS may have an effect upon its back
22 office systems. Staff asserts that this addition is not advisable because it could have unintended
23 effects. In its Post-Hearing Brief, Staff argues:

24 However, it would not be reasonable to require as PAETEC suggests that Qwest
25 and CenturyLink make no changes if those changes have an impact on CLEC
26 back-end systems, however slight. The Companies must have the ability to make
improvements to their systems, despite the fact that they may impact CLEC back-

27 ¹²⁷ Settlement Testimony of Timothy Gates, pages 10-12.

¹²⁸ Post-Hearing Brief of the Joint Applicants, page 31.

¹²⁹ Settlement Testimony of Michael Hunsucker, page 11.

28 ¹³⁰ Post-Hearing Brief of the Joint Applicants, page 33.

1 office systems. There is no requirement that Staff is aware of which would
 2 prohibit OSS changes by a BOC where those changes may have some impact on
 CLEC back-office systems. The following exchange (between [Staff Counsel]
 Ms. Scott and Mr. Hunsucker, reiterates this point:

3 Q: ...Is there anything in the federal act or FCC orders, to your
 4 knowledge that would prohibit Qwest or CenturyLink from making
 appropriate changes to its OSS systems if a CLEC's back office
 5 systems were going to be impacted in some way?

6 A. I am not aware of any FCC or state commission decision or
 7 regulation that says that we have to always consider the impact on
 our customers. Certainly we do that. But, you know, Qwest and
 CenturyLink are free to make changes today to their OSS, and
 8 many times do. That's—Qwest goes through the CMP process to
 do that. There's no guarantee that that's not going to impact a
 9 CLEC's ability."¹³¹

10 154. We note that pursuant to Section 251 of the Act, Qwest could not take an action
 11 changing its OSS if that action would affect a CLEC's nondiscriminatory access to OSS. However,
 12 PAETEC's own witness, William Haas, PAETEC's Vice President of Public Policy and Regulatory,
 13 conceded that Qwest currently may make changes to its OSS through the CMP.¹³²

14 155. We believe that there are sufficient safeguards built into Condition No. 19 to protect
 15 CLECs from detrimental OSS changes by the Merged Company. In addition to the terms found in
 16 Condition No. 19, CLECs are also protected by the required compliance with Qwest's CMP.
 17 Accordingly, we decline to adopt PAETEC's requested modification.

18 156. The next modification requested by PAETEC relates to the level of testing required
 19 before any OSS changes may be implemented. Under Condition No. 19, the Merged Company may
 20 not replace or retire a Qwest OSS interface without sufficient acceptance of the replacement by
 21 CLECs, and the parties will work together to determine what the acceptance criteria might be.
 22 During this process, there will be coordinated testing with CLECs, "including a stable testing
 23 environment that mirrors production, jointly established test cases, and, when applicable, controlled
 24 production testing."¹³³

25 157. PAETEC notes that during the Section 271 process, Qwest's OSS was subjected to
 26 extensive third-party testing for three years for the purpose of determining whether Qwest's OSS

27 ¹³¹ Commission Staff's Post-Hearing Brief, page 9, citing Tr. at 79.

28 ¹³² Tr. at 485-486. (Haas)

¹³³ Settlement Agreement, Attachment 1, page 5.

1 satisfied the Section 271 nondiscriminatory access requirement.¹³⁴ PAETEC requests that the
 2 Commission require any potential changes to the OSS also be subjected to third-party testing.

3 158. PAETEC, Staff and the Joint Applicants all agree that the FCC has stated that the most
 4 probative evidence that an OSS is operationally ready is actual commercial usage. According to the
 5 FCC:

6 The most probative evidence that OSS functions are operationally ready is actual
 7 commercial usage. Absent sufficient and reliable data on commercial usage, the
 8 Commission will consider the results of carrier-to-carrier testing, independent
 9 third-party testing, and internal testing in assessing the commercial readiness of a
 10 BOC's OSS. Although the Commission [FCC] does not require OSS testing, a
 persuasive test will provide us with an objective means by which to evaluate a
 BOC's OSS readiness where there is little to no evidence of commercial usage, or
 may otherwise strengthen an application where the BOC's evidence of actual
 commercial usage is weak or is otherwise challenged by competitors.¹³⁵

11 159. PAETEC asserts that because Qwest's OSS underwent third-party testing to achieve
 12 FCC verification that Qwest's OSS satisfied the Section 271 nondiscrimination criteria, the Merged
 13 Company must do the same. However, Karen Stewart, Qwest's Legal Issues Director, noted that,
 14 "[t]he Qwest systems and processes that were third-party tested more than eight years ago during the
 15 Section 271 approval process are *not the same systems and processes* that Qwest utilizes in its
 16 territory today. Since the conclusion of the third-party tests, there have been hundreds, if not
 17 thousands, of changes implemented to Qwest's OSS... Some of these changes were Qwest-initiated
 18 while others were CLEC-initiated...however, all of these changes were managed successfully
 19 through the Qwest CMP, without third-party testing."(Emphasis original.)¹³⁶

20 160. Staff agrees that third-party testing is not necessary. Mr. Abinah testified that the
 21 testing requirements set forth in Condition No. 19 are more than sufficient, and if there is a problem,
 22 the dissatisfied CLEC can come before the Commission.¹³⁷

23 161. We believe that Condition No. 19, as stated in the Settlement Agreement, provides
 24 adequate protections for CLECs that any changes by the Merged Company to Qwest's OSS will be
 25

26 _____
 27 ¹³⁴ Direct Testimony of Timothy Gates, page 122.

¹³⁵ Qwest 9 State Order, Appendix K, Statutory Requirements, at page K-16.

¹³⁶ Rebuttal Testimony of Karen A. Stewart, pages 24-25.

¹³⁷ Tr. at 542-542. (Abinah)

1 sufficiently vetted before implementation. As such, we do not believe we must require third-party
2 testing of changes to OSS and decline to adopt PAETEC's requested changes.

3 162. Condition No. 20 requires, in the Qwest ILEC service area, that the Merged Company
4 shall comply with all wholesale performance requirements and associated remedy or penalty regimes
5 for wholesale services. The Merged Company will not seek to reduce or modify the Qwest PID or
6 QPAP for at least 18 months post-closing, nor will it seek to eliminate or withdraw the QPAP for at
7 least three years after closing. Additionally, the Merged Company must meet or exceed the average
8 wholesale performance provided by Qwest, and will continue to provide measurement standards to
9 compare pre-and-post-merger performance. If there are performance deficiencies, the Merged
10 Company will conduct a root cause analysis and develop proposals to remedy the deficiencies.

11 163. Although condition number four in the original Joint CLECs' proposed conditions is
12 substantially similar to the requirements stated in Condition No. 20 of the Settlement Agreement, the
13 Joint CLECs' proposal included the following APAP to complement Qwest's QPAP:

14 For at least the Defined Time Period, in the legacy Qwest ILEC territory, the
15 Merged Company shall meet or exceed the average wholesale performance
16 provided by Qwest to each CLEC for one year prior to the Merger Filing Date for
17 each PIC, [*sic*] product, and disaggregation. If the Merged Company fails to
18 provide wholesale performance as described in the preceding sentence, the
19 Merged Company will also make remedy payments to each affected CLEC in an
amount as would be calculated using the methodology (*e.g.*, modified Z test,
critical Z values, and escalation payments) in the Current PAP, for each missed
occurrence when comparing performance post- and pre-Closing Date ("Additional
PAP").¹³⁸

20 164. Mr. Gates testified that, "[t]o provide proper signals to the Merged Company and to
21 discourage it from paying current PAP remedies as a cost of doing business, this condition would
22 require the Merged Company to pay an additional remedy payment for merger-related service quality
23 degradation."¹³⁹

24 165. Regarding Mr. Gates' assertion that Qwest views its QPAP penalty payments as
25 simply a cost of doing business, Michael Williams, Public Policy Director for Qwest, testified that
26 Qwest does not view the QPAP payments in that manner.¹⁴⁰ He explains that Qwest has experienced

27 ¹³⁸ Direct Testimony of Timothy Gates, Exhibit TG-8, page 3.

28 ¹³⁹ *Id.*, page 129.

¹⁴⁰ Tr. at 411. (Williams)

1 a large amount of access line loss, and in order to prevent further losses, Qwest must provide high
 2 quality service.¹⁴¹ Mr. Williams continues, “so if we don’t provide [the CLECs] with good service so
 3 they can provide their customers with good service, then that’s just more customers off our network.
 4 So when [the CLECs] lose a customer that is using our service, then we also lose that line from that
 5 CLEC.”¹⁴²

6 166. In their Post-Hearing Brief, the Joint Applicants argue that:

7 Reduced to its essentials, the APAP proposes to compare every post-closing
 8 measurement, every month, to the average performance for a year preceding
 9 closing. Mr. Williams testified that this scheme will not assure that post-closing
 10 wholesale performance does not degrade, to the detriment of CLECs, due to the
 11 effects of the merger. It is flawed logic to assume that every monthly variation in
 12 the performance levels is merger related. There are innumerable factors—
 13 including many that are not caused by the ILEC—that can cause the performance
 14 levels in a given month, post-merger, to be different from the proposed APAP’s
 15 comparisons with annual average levels of pre-merger Qwest performance.
 (Williams Rebuttal at 32.) Furthermore, it is fallacious to assume that any
 16 monthly [PID] result that is lower than the baseline average proves that the
 17 CLECs have been harmed. It would be fundamentally unfair to inflict a monetary
 18 penalty upon the ILEC, against its will, by a self-executing mechanism that is
 19 based on flawed premises concerning the legal duty of the ILEC, illogical
 20 assumptions regarding the statistical variations, and presumptive rather than
 21 proven harms.¹⁴³

22 167. Mr. Williams explains that the APAP purports to impose penalties for merger-related
 23 performance degradation; however, the application of the PIDs to Qwest’s monthly performance
 24 levels provide no benchmarks that would help distinguish whether lower performance results for that
 25 month are merger-related, a non-merger-related performance issue, or a performance issue caused by
 26 a circumstance beyond Qwest’s control, such as the weather.¹⁴⁴

27 168. Mr. Williams testified that using the proposed APAP, he performed an analysis of how
 28 financially severe the penalties assessed under the APAP could be, even though the same level of
 service had been provided during the comparison periods. Using the 2009 12-month services levels,
 in which an actual penalty of \$100,000 was assessed under QPAP, Mr. Williams calculated that if the
 same 12-month service quality levels were repeated post-closing, an additional penalty of \$660,000

¹⁴¹ *Id.*

¹⁴² *Id.*, pages 411-412. (Williams)

¹⁴³ Post-Hearing Brief of the Joint Applicants, page 39.

¹⁴⁴ Rebuttal Testimony of Michael Williams, page 28-29.

1 could accrue, even though the pre- and post-closing performance was the same.”¹⁴⁵ Mr. Williams
 2 explained that this discrepancy is because, “[t]he proposed APAP cannot distinguish between normal
 3 variations in performance that could occur, with or without the merger, from variations that might be
 4 alleged to be merger-related.”¹⁴⁶ He concludes:

5 This is one of the many fatal flaws of the proposed APAP: the PIDs were defined
 6 to measure performance against parity or fixed benchmarks, not to properly
 7 identify “performance degradation” by some simplistic definition, and certainly
 8 not to automatically imply merger-related harm.¹⁴⁷

8 169. The Joint Applicants also argue that the QPAP was imposed upon Qwest by
 9 Commission Decision No. 64888 (June 5, 2002), and imposing the proposed Additional PAP onto the
 10 QPAP would constitute an amendment to Decision No. 64888. Under A.R.S. § 40-252, an existing
 11 Commission decision may be amended only “upon notice to the corporation affected, and after
 12 opportunity to be heard as upon a complaint,” and the Joint Applicants do not believe those
 13 requirements have been met.¹⁴⁸

14 170. We find that the proposed APAP would not accurately measure any merger-related
 15 service quality degradation and that the Joint CLECs have not demonstrated the necessity for their
 16 proposed APAP, especially given the safeguards set forth in Condition No. 20.

17 171. Condition No. 21 requires the Merged Company to incorporate XML¹⁴⁹ in place of
 18 EDI¹⁵⁰ in any relevant metric,¹⁵¹ and any changes to the PIDs or QPAP as a result of the change must
 19 be approved by the Commission.

20 172. Under Condition No. 22, the Merged Company agrees to maintain Qwest’s CMP,
 21 subject to its right to modify the CMP consistent with the provisions of the CMP itself.

22
 23 ¹⁴⁵ *Id.*, pages 33-34. See Exhibit MGW-2 for the actual computations.

24 ¹⁴⁶ *Id.*, pages 28-29.

25 ¹⁴⁷ *Id.*, page 31.

26 ¹⁴⁸ Post-Hearing Brief of the Joint Applicants, page 41.

27 ¹⁴⁹ eXtensible Markup Language.

28 ¹⁵⁰ Electronic Data Interchange.

¹⁵¹ “XML is a standard way of tagging data so it can be read and interpreted by a variety of Web browsers, and by a variety of software, servers, and clients, regardless of how it was created. The vast bulk of the largest companies in the world use XML for electronic transactions with their customers or their suppliers, including using XML for EDI. XML allows companies to automatically order from and sell to each other—without having to have a human in between physically translating between the different systems, or worse, physically entering the information into another incompatible computer system.” *Newton’s Telecom Dictionary*, Harry Newton, 24th Edition, March 2008, page 1035.

1 173. Condition No. 23 is another contentious wholesale condition. This Condition relates to
 2 the post-merger extension of ICAs, commercial agreements, wholesale agreements, interstate tariffs
 3 and intrastate tariffs (the “Extended Agreements”) between QC, or its successors and assigns, and
 4 CLECs. Under the terms of this Condition, “the Merged Company shall not terminate or
 5 grandparent, change the terms or conditions, or increase the rates of any Extended Agreements during
 6 the unexpired term or for at least the Applicable Time Period identified below, whichever occurs later
 7 (the “Extended Time Period)...”¹⁵²

8 174. Condition No. 23(a) states that the Applicable Time Period for ICAs is at least three
 9 years after the closing date, and the Extended Time Period for ICAs applies whether or not the initial
 10 or current term of the ICA has expired or is in evergreen status.

11 175. Condition No. 23(b) and (c) state that the Applicable Time Period for commercial and
 12 wholesale agreements is at least 18 months after the closing date. After the 18 month period, the
 13 rates may be modified.

14 176. Condition No. 23(d) states as follows:

15 The Applicable Time Period is at least twelve months after the Closing Date for
 16 Qwest wholesale tariff offerings that CLEC ordered from Qwest via tariff as of
 17 the Closing Date. Notwithstanding any provision to the contrary in this
 Agreement, Qwest may engage in Competitive Response pricing as set forth in its
 tariffs.

- 18 i. Regarding term and volume discount plans, such plans offered by Qwest
 19 as of the Closing date will be extended by twelve months beyond the
 20 expiration of the then existing term, unless CLEC indicates it opts out of
 this one-year extension.¹⁵³

21 177. Prior to settling with the Joint Applicants, TWTA had objected to Condition 23(d)
 22 because, as a purchaser of wholesale special access tariffed services (such as high-capacity loops into
 23 customer locations), TWTA believed that disparate timeframes for provision of services under
 24 different types of agreements were a hindrance to competition.¹⁵⁴ TWTA had argued that because it
 25 can purchase its product only from Qwest, Qwest could use this fact to control last-mile facilities and
 26 harm a competitor’s ability to compete unless the Commission imposes sufficient conditions that

27 ¹⁵² Settlement Agreement, Attachment 1, page 7.

28 ¹⁵³ *Id.*, page 9.

¹⁵⁴ Post-Hearing Brief of tw telecom of arizona llc, pages 7-8.

1 protect the price and quality of wholesale prices. TWTA pointed out that the Settlement Agreement
 2 extends ICAs for three years, which means that prices for services and products provided under an
 3 ICA are protected for three years, but the manner in which TWTA purchases products and services is
 4 not afforded the same three year protection. “This two-year discrepancy (2012 vs. 2014) will
 5 seriously undermine TWTA’s ability to compete with other competitive carriers who for two years
 6 will be paying the lower rates for wholesale inputs.”¹⁵⁵ Accordingly, TWTA sought to have the 12
 7 month timeframe stated in Condition 23(d) extended to three years.

8 178. In response, the Joint Applicants argued, among other things, that no one cited to any
 9 specific federal law in support of an argument that the differing extension timeframes are improper.
 10 Further, the Joint Applicants argue “Section 202 [of the Act] does not prohibit discrimination or
 11 disparate treatment; Section 202 prohibits only discrimination that is unjust or unreasonable among
 12 *similarly situated* persons purchasing ‘like’ products.”¹⁵⁶ (Emphasis original.) In other words, all
 13 CLEC purchasers of special access circuits under Qwest’s FCC tariff, such as TWTA, are receiving
 14 the same extension and are therefore being treated the same as all other similarly situated CLECs.

15 179. TWTA purchases its special access services under a pricing structure called a
 16 Regional Commitment Plan (“RCP”). Under the terms of their settlement agreement with TWTA,
 17 the Joint Applicants agree that:

18 In the Qwest ILEC service territory, the Merged Company shall extend the Qwest
 19 Regional Commitment Plan (RCP) currently opted into by tw telecom through the
 20 Merger Closing Date, including its currently effective term, volume, and rate
 21 stability commitments, and for another twelve months beyond the expiration of
 the then existing term or May 31, 2013, whichever is later, unless tw telecom
 indicates it opts out of this extension.¹⁵⁷

22 180. As part of the TWTA settlement agreement, the Joint Applicants also agreed that, “the
 23 clarifications, modifications and additional commitments set forth in the Agreement will be available
 24 to other carriers that are similarly situated to Integra and tw telecom, regardless of whether a similarly
 25

26 _____
 27 ¹⁵⁵ *Id.*, page 11.

¹⁵⁶ *Id.*, page 61.

28 ¹⁵⁷ Letter Agreement attached to Notice of Filing Settlement Agreement Between and Among tw telecom, CenturyLink and Qwest, page 2.

1 situated carrier has participated in these consolidated dockets or entered into a settlement agreement
2 with the Joint Applicants.”¹⁵⁸

3 181. The RCP referenced in the TWTA settlement agreement is a “term and volume
4 discount plan” as described in Condition 23(d)(i) and, in essence, the Joint Applicants and TWTA by
5 their settlement agreement have modified the Applicable Time Period in that Condition. We find this
6 modification reasonable.

7 182. In light of this modification, and in order to ensure that all CLECs that may be
8 purchasing products and services under term and volume discount plans which may be affected by
9 Condition No. 23(d)(i) are being treated the same as all other similarly situated CLECs pursuant to
10 Section 202 of the Act, we believe the TWTA settlement agreement’s modification of the Applicable
11 Time Period in Condition 23(d)(i) should apply to all term and volume discount plans offered by
12 Qwest under Condition No. 23(d)(i) and we clarify that Condition accordingly.

13 183. The Joint CLECs object to the Applicable Time Periods stated in Condition No. 23 (b)
14 and (c) and request that they be raised from 18 months to three years. Mr. Gates states that this is
15 necessary because the disparate timeframes between Condition No. 23(a) and 23(b) and (c) are
16 discriminatory, although he clarified that he was not using the word ‘discriminatory’ in the legal
17 sense, such as it is used in Section 202 of the Act.¹⁵⁹ Mr. Gates states, however, that “putting
18 different time frames on different types of agreements...would be automatically identifying winners
19 and losers based on the way they have deployed their networks and the way they provision their
20 services.”¹⁶⁰

21 184. Mr. Abinah testified that, “absent Qwest and CenturyLink agreeing to this condition,
22 as a matter of fact, if those conditions are not in here, we will still believe the agreement is in the
23 public interest. So I believe the timeline specified in this agreement, based on the fact that Qwest
24 agreed to it, Staff is comfortable and Staff does not believe this is discriminatory.”¹⁶¹

25
26
27 ¹⁵⁸ Notice of Filing Settlement Agreement Between and Among tw telecom, CenturyLink and Qwest, pages 1-2.

¹⁵⁹ Tr. at 92. (Gates)

¹⁶⁰ *Id.*

¹⁶¹ Tr. at 546.

1 185. The Joint Applicants and Staff also point out that products and services purchased
2 through wholesale and commercial agreements are generally non-Section 251 and do not have to be
3 offered at TELRIC rates and Qwest may increase its rates as it deems fit subject to the terms of the
4 commercial or wholesale agreement, and as long as the rates conform to Qwest's Price Cap Plan.¹⁶²
5 In short, the Joint Applicants did not have to agree to any extensions at all, but chose to do so as a
6 result of the settlement negotiations.

7 186. Accordingly, we agree with the Joint Applicants and Staff that the differing
8 timeframes are not discriminatory. CLECs operating under commercial and wholesale agreements
9 are not being treated any differently than they otherwise would be treated outside of the merger
10 except that they benefit by an 18-month extension to their current agreements. Because no settlement
11 agreement has been offered that would necessitate a modification of those timeframes, and because
12 we find that the differing timeframes are not discriminatory, we decline to extend wholesale and
13 commercial agreement's timeframes found in Condition 23(b) and (c) from 18 months to three years.

14 187. The Merged Company agrees to Condition No. 24 in order to ensure that levels of
15 wholesale support and staffing, which may change with the integration process, remain sufficient so
16 as to provide a level of service that is not less than, and is functionally equivalent to, that which was
17 provided by Qwest prior to closing. The Merged Company will also ensure that CLEC protected
18 information will not be used by the Merged Company's retail operations for marketing purposes.

19 188. Through Condition Nos. 25 and 26, the Merged Company agrees to provide to
20 wholesale carriers up-to-date escalation information, contact lists and account manager information
21 no later 30 days prior to closing, if possible. The Commission will also receive this information.
22 Additionally, the Merged Company will provide to wholesale carriers the same types of data,
23 information and assistance made by Qwest regarding Qwest's systems functions, including, but not
24 limited to, information provided by the wholesale website, sometimes referred to as Qwest's product
25 catalog ("PCAT").

26
27
28 ¹⁶² Post-Hearing Brief of the Joint Applicants, page 60; Tr. at 545-546. (Abinah)

1 189. In Condition No. 27, the Merged Company agrees not to increase the rates in Qwest
2 ICAs for three years and further agrees not to assess fees for certain functions that are not currently
3 assessed in the Qwest ILEC service area without Commission approval.

4 190. Condition No. 28 states that, where an ICA is silent as to an interval for the provision
5 of a product, service or functionality, the applicable interval will be no longer than the interval set
6 forth in Qwest's Service Interval Guide ("SIG") as of closing, for a period of three years.

7 191. For Condition No. 29, in the Qwest Arizona ILEC service area, the Merged Company
8 agrees that it will comply with Sections 251 and 252 of the Act and will not seek to avoid any of its
9 obligations based on rural exemption provisions of the Act.

10 192. Under Condition No. 30, the Merged Company agrees not to seek to reclassify as
11 "non-impaired" under Section 251 of the Act any Qwest Arizona wire centers, nor will the Merged
12 Company file any new petition under Section 10 of the Act seeking forbearance from any Section
13 251 or 271 obligations or dominant carrier regulation, before June 1, 2012. The non-settling CLECs
14 request that the timeframe for this Condition should be increased from one year to three years. The
15 rationale for a three-year moratorium is that it coincides with CenturyLink's expected timeframe to
16 achieve synergy savings.

17 193. At the hearing, Mr. Hunsucker testified that the proposed modification is not
18 necessary or appropriate.¹⁶³ In their Brief, the Joint Applicants argue that, "it is not sound public
19 policy and not in the public interest to tie the hands of the merged company and limit its ability to
20 seek regulatory treatment authorized by the FCC if the merged company can demonstrate that
21 competitive conditions merit relief from certain Section 251 or Section 271 obligations under federal
22 law."¹⁶⁴

23 194. We believe that the Joint Applicants' agreement to forebear, for more than a year,
24 rights that they may otherwise seek to have approved through petitioning the FCC is a reasonable
25 condition that should be approved.

26
27
28 ¹⁶³ Tr. at 298.

¹⁶⁴ Post-Hearing Brief of the Joint Applicants, page 42.

1 195. Pursuant to Condition No. 31, the Merged Company agrees that QC will engineer and
2 maintain its Arizona network facilities in compliance with federal law, state law, and any applicable
3 ICA terms.

4 Financial (Conditions 32-33)

5 196. In response to concerns raised in the various rating agencies' action letters and their
6 possible effect on the Merger Company's ability to participate in the credit market, the Merged
7 Company agreed to the terms stated in Condition No. 32. This Condition requires the Merged
8 Company to apprise the Commission if any of the following events occur: 1) default on any loan, 2)
9 delisting of CenturyLink from trading on a major trading exchange, 3) CenturyLink's equity-to-total
10 capital falls below 40 percent, and 4) CenturyLink's or any of its Arizona subsidiaries' investment
11 status falls below an investment grade rating. This reporting must be done for a three-year period
12 following merger closing.

13 197. Condition No. 33 reiterates that CenturyLink is prohibited from seeking to recover any
14 acquisition adjustment paid for QCII.¹⁶⁵

15 Reporting (Conditions 34-40)

16 198. The reporting requirements contained in this section are designed to provide the
17 Commission with information regarding the Merged Company's integration activities and its effects
18 on staffing, facilities, services and service quality, among other things. Mr. Abinah testified that the
19 information required by these conditions "is important for the Commission to be able to track
20 changes resulting from the merger that may affect Qwest's wholesale and retail customers and to
21 determine whether important synergies and cost savings indentified by the Joint Applicants as a
22 benefit of the merger actually transpire."¹⁶⁶

23 199. Regarding the Merged Company's integration efforts, Condition No. 34 requires a
24 report to be filed with the Commission describing substantive integration efforts and any synergies
25 achieved by these efforts. The report must also contain information regarding organizational and
26 "staff force" changes in Arizona, improvement in complaint levels and in service quality, a listing of

27 _____
28 ¹⁶⁵ See Condition No. 1.

¹⁶⁶ Direct Testimony of Elijah O. Abinah, page 11.

1 new services, a description of infrastructure improvements and broadband expansion, and any other
 2 impacts on Arizona operations and customers. The Merged Company is required to file this report
 3 for three years beginning the first year after closing. Mr. Abinah testified that Staff felt three years is
 4 a sufficient timeframe for the Commission to get a feel for how the integration is progressing. He
 5 stated that after the end of three years, Staff can “evaluate what is going on at that time and maybe—
 6 maybe not—and make a recommendation to the Commission on how to proceed.”¹⁶⁷

7 200. Condition No. 35 states “[t]hat if following the merger close the Merged Company
 8 chooses to conduct layoffs or facility closings in Arizona that are attributable to the merger, it shall
 9 submit a report at least 30 days prior to the effective date of the layoffs or closings stating why it is
 10 necessary to do so and what efforts the Company is making to re-deploy those individuals elsewhere
 11 in the Company.”¹⁶⁸ This Condition also requires the report to state whether any synergy savings
 12 from such closures have been reinvested and re-deployed elsewhere in the company’s operations in
 13 Arizona. The report is to be filed for one year post-closing or until CenturyLink advises the
 14 Commission by affidavit that merger-related activities are complete, whichever comes last. Mr.
 15 Abinah stated that this is a standard reporting requirement in these types of cases.¹⁶⁹

16 201. As noted earlier, because CenturyLink has very little presence in Arizona there is no
 17 personnel overlap and, as such, little, if any, synergies to be achieved through employee layoffs.¹⁷⁰ If
 18 there are layoffs, Mr. Glover testified that those to be laid off will receive outplacement services.¹⁷¹
 19 Additionally, many Qwest employees are union members and come under the protections offered by
 20 the CWA collective bargaining agreement and the Joint Applicants’ and CWA’s settlement
 21 agreement.¹⁷²

22 202. Condition Nos. 36 through 40 relate to the filing of annual reports, notification of
 23 material changes to the Transaction prior to Commission approval, notice of Transaction closing,
 24 verification by an officer of the Merged Company annually for three years that CenturyLink’s
 25

26 ¹⁶⁷ Tr. at 566. (Abinah)

¹⁶⁸ Settlement Agreement, Attachment 1, page 13.

27 ¹⁶⁹ Tr. at 566-567.

¹⁷⁰ Tr. at 226. (Campbell)

¹⁷¹ Tr. at 62. (Glover)

28 ¹⁷² See discussion below regarding the CWA settlement agreement.

1 Arizona entities are in compliance with the terms of this Settlement Agreement, and documentation
2 regarding operating expense, annual investment and number of employees per 1,000 working access
3 lines by statewide average for the years 2008, 2009 and 2010.

4 Conservation of Commission Resources (Condition 41)

5 203. Condition No. 41 lists three pending cases in which Qwest has appealed Commission
6 Decisions, and which have consumed a large amount of the Commission's resources for a number of
7 years. The Commission cannot compel the Joint Applicants to either withdraw or settle these cases,
8 but, by this Condition, the Joint Applicants agree to evaluate the following three cases and make a
9 good faith effort to resolve the matters without further litigation: 1) McLeodUSA v. ACC, Arizona
10 District Court Case No. CV07-2145-PHX-HRH; 2) Qwest v. ACC, Arizona District Court Case No.
11 CV08-2374-PHX-JAT; and 3) Pac-West/Level 3 VNXX Remand Proceeding, Docket Nos. T-
12 01051B-05-0495, T-03693A-05-0495, T-01051B-05-0415 and T-03656A-05-0415.

13 SUMMARY

14 204. Based on the evidence presented to the Commission by the Applicants, we find that,
15 pursuant to A.A.C R14-2-801, *et seq*, the proposed transaction does not impair the financial status of
16 the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair
17 the ability of the public utility to provide safe, reasonable and adequate service.

18 205. We further find that Merged Company will have the technical and financial
19 capabilities necessary to provide the telecommunications services contemplated in the Application
20 and is a fit and proper entity for the provision of such service in Arizona.

21 206. We further find that the Transaction, subject to compliance with the conditions
22 discussed herein, is in the public interest. We believe that the Settlement Agreement is a product of
23 open and inclusive negotiations and appropriately balances the needs of the Joint Applicants and their
24 customers, both retail and commercial, and, therefore, any additions or modifications to the
25 Settlement Agreement (except as stated herein), are unnecessary.

26 207. Staff recommends that the Commission approve the Transaction as described in the
27 Application pursuant to A.A.C. R14-2-801, *et seq.*, subject to the Conditions set forth in the
28

1 Settlement Agreement. We find that Staff's recommendation is reasonable, and approve the
2 Application and the Settlement Agreement, with the following additions and clarifications:

- 3 • Condition No. 17: The Merged Company shall invest not less than \$70 million
4 in broadband infrastructure in Arizona over a five-year period beginning
5 January 1, 2011.
- 6 • Condition No. 18: The Merged Company, Staff and RUCO shall meet
7 regarding the broadband deployment progress once a year for five years or
8 until the \$70 million commitment has been met, whichever comes first.
- 9 • Condition No. 23(d)(i): Regarding term and volume discount plans, such plans
10 offered by Qwest as of the Transaction closing date will be extended by twelve
11 months beyond the expiration of the then existing term, or until May 31, 2013,
12 whichever is later, unless a CLEC indicates it opts out of this extension. Term
13 and volume discount plans that would otherwise expire between the effective
14 date of this Decision and the Transaction closing date shall be extended
15 through the closing date such that the additional 12 months provided under this
16 provision will run from the Transaction closing date.

OTHER SETTLEMENT AGREEMENTS

13 208. On October 14, 2010, 360 and the Joint Applicants filed a settlement agreement under
14 which QC will honor all obligations under any existing ICAs with 360, and will not terminate or
15 change the conditions of 360's ICAs for a period of 36 months from the closing date of the merger.
16 (The 360 settlement agreement is attached as Exhibit E.)

17 209. On October 21, 2010, CWA and the Joint Applicants filed a settlement agreement and
18 CWA withdrew its opposition to the proposed transaction and withdrew as an intervenor in this
19 matter. Under the terms of this settlement agreement, among other things, CTL committed to waiting
20 two years after closing before it begins integration of Qwest's wholesale OSS.¹⁷³ Additionally, CTL
21 agreed to a process whereby CWA and the Joint Applicants will attempt to maximize employment
22 levels throughout CTL's and QC's service areas, and agreed not to close any QC call center where
23 the workers are represented by CWA or another labor union. According to CWA, "[t]he remainder
24 of the CWA Settlement essentially reaffirms commitments made by Joint Applicants in their merger
25 agreement to keep in place collective bargaining agreements, and various terms and conditions
26 thereof, after the transaction closes."¹⁷⁴ The CWA settlement agreement covered all states in which

27 ¹⁷³ This mirrors Condition No. 20 in the Settlement Agreement.

28 ¹⁷⁴ CWA's: 1) Notice of Withdrawal; and 2) Notice of Filing Settlement Agreement Between CWA and Joint Applicants, page 6.

1 CWA has members and in which approval for the transaction was sought. (The CWA settlement
2 agreement is attached as Exhibit F.)

3 210. On November 5, 2010, the DOD-FEA and the Joint Applicants filed with the
4 Commission a settlement agreement addressing certain specific concerns of the DOD-FEA. The
5 DOD-FEA, as a major business customer of Qwest in Arizona, raised concerns that CTL would seek
6 to achieve certain synergies by increasing rates to business customers. The DOD-FEA was also
7 concerned about CTL's service quality post-merger by the possibility certain Qwest employees who
8 currently hold security clearances would be laid off. Under the terms of the DOD-FEA settlement,
9 the Merged Company will not increase current pricing offered to DOD-FEA on retail Business Lines
10 for three years. Additionally, the Merged Company affirms that "no organizational or personnel
11 changes will impair either the post-merger company's ability to perform under existing contracts or
12 its ability to bid on new contracts that require security clearances of company's personnel."¹⁷⁵ (The
13 DOD-FEA settlement agreement is attached as Exhibit G.)

14 211. On November 10, 2010, Integra and the Joint Applicants filed a settlement agreement.
15 As noted above, this settlement agreement was the starting point for the Settlement Agreement
16 between Staff, RUCO and the Joint Applicants and the two agreements are similar. (The Integra
17 settlement agreement is attached as Exhibit D.)

18 212. On November 17, 2010, Westel and the Qwest filed a settlement agreement settling
19 the claims Westel asserted against Qwest regarding certain Qwest tariff charges, and crediting Westel
20 the amount of \$12,500. (The Westel settlement agreement is attached as Exhibit H.)

21 213. On November 22, 2010, Cox and the Joint Applicants filed a settlement agreement
22 conforming generally to the settlement agreement between Integra and the Joint Applicants. The
23 differences between the Integra settlement agreement and the Cox settlement agreement relate to
24 extension of an "interconnection agreement term that provides for a form of bulk access to Qwest's
25 owned inside wire in multiple dwelling units in Arizona."¹⁷⁶ (The Cox settlement agreement is
26 attached as Exhibit I.)

27 _____
28 ¹⁷⁵ DOD-FEA Settlement Agreement and Stipulation, Attachment 1, page 2.

¹⁷⁶ Tr. at 224. (Garrett)

1 214. On February 8, 2011, the Joint Applicants filed a Notice of Filing Settlement
2 Agreement Between and Among tw telecom, CenturyLink and Qwest. The settlement agreement
3 states that TWTA opts into the Integra settlement agreement and also adopts other clarifications,
4 modifications and additional commitments, including, among other things, service quality as well as
5 the RCP extension discussed in earlier. (The TWTA settlement agreement is attached as Exhibit J.)

6 215. No party to this proceeding objected to any of these settlement agreements. To the
7 extent necessary or requested, these settlement agreements are hereby approved.

8 **CONCLUSIONS OF LAW**

9 1. QC, QCC, QCLD, CLT, CL and CTS are public service corporations within the
10 meaning of Article XV of the Arizona Constitution and A.R.S. §40-281 and 40-282.

11 2. The Commission has jurisdiction over the Joint Applicants and the subject matter of
12 the Application, pursuant to Article 15, Section 3 of the Arizona Constitution and the Commission's
13 Affiliated Interest Rules, A.A.C. R14-2-801 through 806.

14 3. Notice of the Application was given in accordance with Arizona law.

15 4. The public interest requires that the Commission apply the Affiliated Interest Rules in
16 a manner that will maximize protection to ratepayers.

17 5. Approval of the Transaction proposed in the Application would serve the public
18 interest only if the conditions, with the additions and clarifications discussed herein, are imposed to
19 provide adequate protection to ratepayers.

20 6. It is in the public interest to approve the Transaction proposed in the Application
21 subject to compliance with the conditions and requirements set forth in the Settlement Agreement
22 with the additions and clarifications as discussed herein.

23 7. Pursuant to A.A.C. R14-2-801 *et seq.*, the Transaction between QCII and CTL will not
24 impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and
25 reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate
26 service.

27 8. The Application and the Settlement Agreement among the Joint Applicants, Staff and
28 RUCO, with the additions and clarifications discussed herein, are reasonable and in the public

1 interest and should be approved.

2 9. The settlement agreements between the Joint Applicants and 360, CWA, DOD-FEA,
3 Integra, Cox and TWTA, and the settlement agreement between Qwest and Westel are reasonable
4 and in the public interest and should be approved.

5 **ORDER**

6 IT IS THEREFORE ORDERED that the Joint Notice and Application of Qwest
7 Corporation, Qwest Communications Company, LLC, Qwest LD Corp., Embarq Communications,
8 Inc. d/b/a CenturyLink Communications, Embarq Payphone Services, Inc. d/b/a CenturyLink, and
9 CenturyTel Solutions, LLC, for approval of the proposed merger of the Joint Applicants' respective
10 parent corporations, Qwest Communications International Inc., and CenturyLink, Inc., is hereby
11 granted subject to the terms and conditions set forth in the Settlement Agreement dated November
12 24, 2010, among Qwest Communications International Inc., CenturyLink, Inc., the Commission's
13 Utilities Division Staff and the Residential Utility Consumer Office, and the settlement agreements
14 between the Joint Applicants and Cox Arizona Telcom, LLC; tw telecom of arizona, llc; Integra
15 Telecom; Communications Workers of America, AFL-CIO, CLC; the United States Department of
16 Defense and All Other Federal Executive Agencies; 360networks (USA), inc., and the settlement
17 agreement between Qwest Corporation and Westel Inc.

18 IT IS FURTHER ORDERED that the Merged Company, the Commission's Utilities Division
19 Staff and the Residential Utility Consumer Office shall meet regarding broadband deployment
20 progress once a year for five years, or until the \$70 million commitment described in Condition No.
21 18 of the Settlement Agreement has been met, whichever comes first.

22 IT IS FURTHER ORDERED that Condition No. 17 is clarified to read: "The Merged
23 Company shall invest not less than \$70 million in broadband infrastructure in Arizona over a five-
24 year period beginning January 1, 2011."

25 ...

26 ...

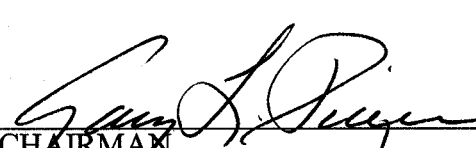
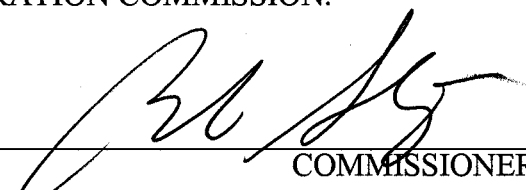
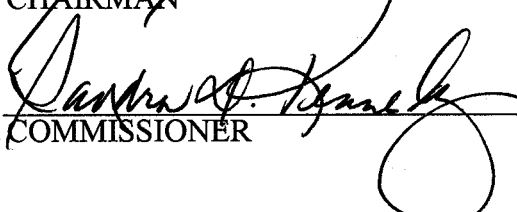


27 ...

28 ...

1 IT IS FURTHER ORDERED that the modification by the Settlement Agreement Between
2 and Among tw telecom, CenturyLink and Qwest of the Applicable Time Period in Condition 23(d)(i)
3 is reasonable, and find that the modification should apply to all term and volume discount plans
4 offered by Qwest under Condition No. 23(d)(i) in that term and volume discount plans offered by
5 Qwest as of the Transaction closing date will be extended by twelve months beyond the expiration of
6 the then existing term, or until May 31, 2013, whichever is later, unless a CLEC indicates it opts out
7 of this extension. Term and volume discount plans that would otherwise expire between the effective
8 date of this Decision and the Transaction closing date shall be extended through the closing date such
9 that the additional 12 months provided under this provision will run from the Transaction closing
10 date.

11 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

13
14  CHAIRMAN  COMMISSIONER
15
16  COMMISSIONER  COMMISSIONER  COMMISSIONER
17
18

19 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
20 Executive Director of the Arizona Corporation Commission,
21 have hereunto set my hand and caused the official seal of the
22 Commission to be affixed at the Capitol, in the City of Phoenix,
23 this 9th day of March, 2011.

24 
25 ERNEST G. JOHNSON
26 EXECUTIVE DIRECTOR

27 DISSENT _____

28 DISSENT _____

1 SERVICE LIST FOR: QWEST CORPORATION, QWEST COMMUNICATIONS
2 COMPANY, LLC, QWEST LD CORP., EMBARQ
3 COMMUNICATIONS, INC. D/B/A CENTURY LINK
4 COMMUNICATIONS, EMBARQ PAYPHONE
SERVICES, INC. D/B/A CENTURLINK, AND
CENTURYTEL SOLUTIONS, LLC

5 DOCKET NOS.: T-01051B-10-0194, T-02811B-10-0194, T-04190A-10-
6 0194, T-20443A-10-0194, T-03555A-10-0194, and T-
03902A-10-0194

7
8 Jeffrey W. Crockett
BROWNSTEIN HYATT FARBER
9 SCHRECK
40 North Central Avenue, 14th Floor
10 Phoenix, AZ 85004

Mark A. DiNunzio
COX ARIZONA TELCOM, LLC
1550 West Deer Valley Road
MV DV3-16, Bldg C
Phoenix, AZ 85027

11 Kevin K. Zarling
Senior Counsel
12 CENTURLINK
400 West 15th Street, Suite 315
13 Austin, TX 78701

Gregory Merz
GRAY, PLANT, MOOTY, MOOTY
& BENNETT, P.A.
500 IDS Center
80 South Eighth Street
Minneapolis, MN 55402

14 Linda C. Stinar, Director Regulatory Affairs
CENTURLINK
6700 Via Austi Parkway
15 Las Vegas, NV 89119

Craig A. Marks
CRAIG A. MARKS, PLC
10645 North Tatum Boulevard, Suite 200-676
Phoenix, AZ 85028

16 Norman G. Curtright, Corporate Counsel
QWEST CORPORATION
17 20 East Thomas Road, 16th Floor
Phoenix, AZ 85012

Karen L. Clauson, Vice President
Law and Policy
INTEGRA TELECOM
6160 Golden Hills Drive
Golden Valley, MN 55416

18 David L. Ziegler
Assistant Vice President-Public Policy
19 QWEST CORPORATION
20 20 East Thomas Road, 16th Floor
Phoenix, AZ 85012

Gregory L. Rogers
LEVEL 3 COMMUNICATIONS, LLC
1025 Eldorado Boulevard
Broomfield, CO 80021

21 Daniel Pozefsky, Chief Counsel
22 RESIDENTIAL UTILITY
CONSUMER OFFICE
23 1110 West Washington Street, Suite 220
Phoenix, AZ 85007

Rogelio Peña
PENA & ASSOCIATES, LLC
4845 Pearl East Circle, Suite 101
Boulder, CO 80301

24 Michael Patten
25 ROSHKA DEWULF & PATTEN, PLC
One Arizona Center
26 400 East Van Buren, Suite 800
Phoenix, AZ 85004

William A. Haas
Vice President of Public Policy & Regulatory
PAETEC HOLDING GROUP
One Martha's Way
Hiawatha, IA 52233

27
28

1 Katherine K. Mudge, Director
Director, State Affairs & ILEC Relations
2 COVAD COMMUNICATIONS COMPANY
2111 West Braker Lane, Suite 100
3 Austin, TX 78731

Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

4 Joan S. Burke
LAW OFFICE OF JOAN S. BURKE
5 1650 North First Avenue
Phoenix, AZ 85003

Steven M. Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

6 James C. Falvey
7 Senior Regulatory Counsel
PAC-WEST TELECOM, INC.
8 420 Chinguapin Round Road, Suite 2-I
Annapolis, MD 21401

9 Rex Knowles, Executive Director
10 External Affairs
XO COMMUNICATIONS SERVICES, INC.
11 7050 Union Park Avenue, Suite 400
Midvale, UT 84047

12 Lyndall Nipps
13 TW TELECOM
9665 Granite Ridge Drive, Suite 500
14 San Diego, CA 92123

15 John Ilgen, Vice President,
Sales and Marketing
16 WESTEL INC.
9606 North Mopac Expressway, Suite 700
17 Austin, TX 78759

18 Stephen S. Melnikoff, General Attorney
REGULATORY LAW OFFICE (JALS-RL)
19 U.S. Army Litigation Center
901 North Stuart Street, Suite 700
20 Arlington, VA 22203-1837

21 Daniel D. Haws
OSJA
22 ATTN: ATZS-JAD
USA Intelligence Center & Fort Huachuca
23 Fort Huachuca, AZ 85613

24 Harry Gildea
SNAVELY, KING, MAJOROS
25 O'CONNOR & BEDELL, INC.
1111 14th Street, N.W., Suite 300
26 Washington, D.C. 2 0005

27

28

EXHIBIT

A

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2010 NOV 26 P 12:13

COMMISSIONERS

ALL CORP COMMISSIONERS
DOCKET CONTROL

RECEIVED

NOV 29 2010

ARIZONA CORPORATION COMMISSION
HEARING DIVISION

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

JOINT NOTICE AND APPLICATION OF
QWEST CORPORATION, QWEST
COMMUNICATIONS COMPANY, LLC,
QWEST LD CORP., EMBARQ
COMMUNICATIONS, INC. D/B/A/
CENTURY LINK COMMUNICATIONS,
EMBARQ PAYPHONE SERVICES, INC.
D/B/A/ CENTURLINK, AND
CENTURYTEL SOLUTIONS, LLC FOR
APPROVAL OF THE PROPOSED MERGER
OF THEIR PARENT CORPORATIONS
QWEST COMMUNICATIONS
INTERNATIONAL INC. AND
CENTURYTEL, INC.

DOCKET NO. T-01051B-10-0194
DOCKET NO. T-02811B-10-0194
DOCKET NO. T-04190A-10-0194
DOCKET NO. T-20443A-10-0194
DOCKET NO. T-03555A-10-0194
DOCKET NO. T-03902A-10-0194

**NOTICE OF FILING PROPOSED
SETTLEMENT AGREEMENT
BETWEEN THE JOINT
APPLICANTS, UTILITIES
DIVISION STAFF AND RUCO**

The joint applicants identified in the caption above (the "Joint Applicants") hereby file the attached proposed Settlement Agreement ("Settlement Agreement") between the Joint Applicants, Utilities Division Staff ("Staff"), and the Residential Utility Consumer Office ("RUCO") (collectively, the "Settling Parties") which addresses and resolves all outstanding issues among the Settling Parties pertaining to these consolidated dockets. Pre-filed testimony will be filed by each of the Settling Parties addressing the Settlement Agreement and the benefits deriving there from.

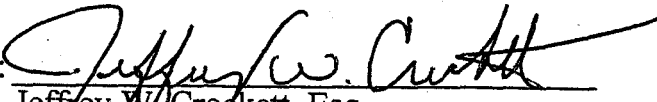
Snel' Wilmer

P
FICBS
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

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20th
RESPECTFULLY SUBMITTED this 20th day of November, 2010.

SNELL & WILMER L.L.P.

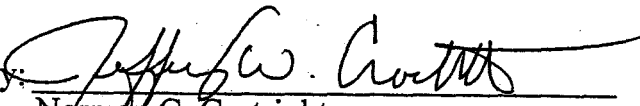
By: 
Jeffrey W. Crockett, Esq.
Bradley S. Carroll, Esq.
One Arizona Center
400 E. Van Buren
Phoenix, Arizona 85004-2202

and

Kevin K. Zarling, Senior Counsel
(admitted *pro hac vice*)
Senior Counsel, CenturyLink
400 W. 15th Street, Suite 315
Austin, Texas 78701

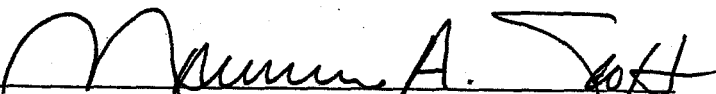
Attorneys for CenturyLink

QWEST CORPORATION

for By: 
Norman G. Curtright
Associate General Counsel, Qwest
20 East Thomas Road, 16th Floor
Phoenix, Arizona 85012

Attorney for Qwest Corporation

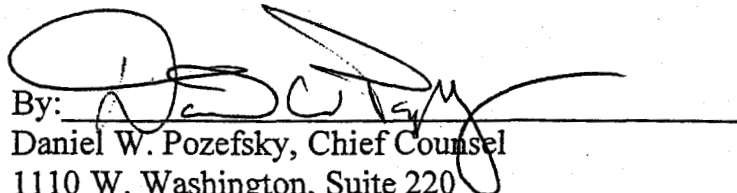
ARIZONA CORPORATION COMMISSION

By: 
Maureen Scott, Senior Staff Counsel
Robin Mitchell, Senior Attorney
Bridget Humphrey, Staff Attorney
Legal Division
1200 West Washington
Phoenix, Arizona 85008

Sneil Wilmer
P. FICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

RESIDENTIAL UTILITY CONSUMER OFFICE

By: 
Daniel W. Pozefsky, Chief Counsel
1110 W. Washington, Suite 220
Phoenix, Arizona 85007

1
2
3
4
5
6 ORIGINAL and 13 copies filed
7 this ²⁶24th day of November, 2010, with:

8 Docket Control
9 Arizona Corporation Commission
10 1200 West Washington Street
Phoenix, Arizona 85007

11 COPY of the foregoing hand-delivered
12 this ²⁶24th day of November, 2010, to:

13 Belinda Martin, Administrative Law Judge
14 Hearing Division
15 Arizona Corporation Commission
16 1200 W. Washington
Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

17 Steve Olea, Director
18 Utilities Division
19 Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Daniel Pozefsky, Chief Counsel
Residential Utility Consumer Office
1110 West Washington, Suite 220
Phoenix, Arizona 85007
dpozefsky@azruco.gov

Snelson Wilmer

ATTORNEYS AT LAW
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 COPY of the foregoing sent via e-mail and
2 First Class Mail this 24th day of November, 2010, to:

3 Michael Patten
4 Roshka DeWulf & Patten, PLC
5 One Arizona Center
6 400 E. Van Buren St. - 800
7 Phoenix, Arizona 85004
8 mpatten@rdp-law.com

Lyndall Nipps
Vice President, Regulatory Affairs
twtelecom of Oregon, llc
9665 Granite Ridge Drive, Ste. 500
San Diego, California 97123
lyndall.nipps@twtelecom.com

7 Katherine Mudge
8 Director, State Affairs & ILEC Relations
9 Covad Communications, Inc.
10 7000 N. Mopac Expressway, 2nd Floor
11 Austin, Texas 78731
12 kmudge@covad.com

Mark DiNunzio
Cox Arizona Telcom, LLC
1550 W. Deer Valley Rd.
MS:DV3-16, Bldg. C
Phoenix, Arizona 85027
Mark.DiNunzio@cox.com

11 Gregory L. Rogers
12 Level 3 Communications, LLC
13 1025 Eldorado Boulevard
14 Broomfield, Colorado 80021
15 Greg.rogers@level3.com

Rex Knowles
XO Communications, Inc.
7050 Union Park Ave., Ste. 400
Midvale, Utah 84047
Rex.knowles@xo.com

15 James C. Falvey
16 Senior Regulatory Counsel
17 Pac-West Telecomm, Inc.
18 420 Chinquapin Round Rd., Ste. 2-1
19 Annapolis, Maryland 21401
20 jfalvey@pacwest.com

William A. Haas
Vice President of Public Policy &
Regulatory
PAETEC Holding Corp.
One Martha's Way
Hiawatha, Iowa 52233
William.haas@paetec.com

20 Rogelio Pena
21 Pena & Associates
22 4845 Pearl East Circle, - 101
23 Boulder, Colorado 80301

Joan Burke
Law Office of Joan S. Burke
1650 N. First Avenue
Phoenix, Arizona 85003
joan@jsburkelaw.com

Sne'r Wilmer

P.FICBS
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 Harry Gildea
2 Snavely King Majoros O'Connor &
3 Bedell, Inc.
4 1111 14th St., N.W., Suite 300
5 Washington, District of Columbia 20005
6 hgildea@snavely-king.com

Stephen S. Melnikoff
Regulatory Law Office
U.S. Army Litigation Center
901 N. Stuart St., Suite 700
Arlington, Virginia 22203-1837
Stephen.melnikoff@hqda.army.mil

5 Gregory Merz
6 Gray Plant Mooty
7 500 IDS Center
8 80 S. Eighth St.
9 Minneapolis, Minnesota 55402
10 Gregory.merz@spmlaw.com

Karen L. Clauson
Vice President, Law & Policy
Integra Telecom
6160 Golden Hills Dr.
Golden Valley, Minnesota 55416-1020
klclauson@integratelecom.com

11 

12 12251325.1

Sne Wilmer

OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

Proposed Settlement Agreement

**PROPOSED SETTLEMENT AGREEMENT ON JOINT APPLICANTS'
APPLICATION**

(DOCKET NOS. T-01051B-10-0194, T-02811B-10-0194, T-04190A-10-0194, T-20443A-10-0194, T-03555A-10-0194 AND T-03902A-10-0194)

This Proposed Settlement Agreement, including Attachment 1 appended hereto which is hereby incorporated herein by reference, (the "Agreement") is entered into by and among Qwest Communications International, Inc., and its Arizona telephone operating subsidiaries Qwest Corporation, Qwest Communications Company LLC, and Qwest LD Corp., (collectively "Qwest") and CenturyLink, Inc., and its Arizona telephone operating subsidiaries including Embarq Communications, Inc., d/b/a CenturyLink Communications, Embarq Payphone Services, Inc., d/b/a CenturyLink, and CenturyTel Solutions LLC, (collectively "CenturyLink") (Qwest and CenturyLink are collectively referred to herein as the "Joint Applicants"), the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission"), and the Residential Utility Consumer Office ("RUCO") (individually a "Party" or collectively, the "Settling Parties").

RECITALS

WHEREAS, On May 13, 2010, the Joint Applicants submitted for Commission approval a Joint Notice and Application for Expedited Approval of Proposed Merger (the "Joint Application");

AND WHEREAS, the Settling Parties desire to adopt this Agreement to settle all outstanding issues among themselves pertaining to the Joint Application in Docket Nos. T-01051B-10-0194, T-02811B-10-0194, T-04190A-10-0194, T-20443A-10-0194, T-03555A-10-0194 and T-03902A-10-0194 in a manner that will meet the requirements of A.A.C. R14-2-803 and promote the public interest;

AND WHEREAS, the Settling Parties agree that the negotiation process undertaken in this matter was open to all Intervenors and provided all Intervenors with an equal opportunity to participate, and that all Intervenors were notified of the settlement process and encouraged to participate;

AND WHEREAS, the Settling Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by the Joint Applicants' application (the "Joint Application") in Docket Nos. T-01051B-10-0194, T-02811B-10-0194, T-04190A-10-0194, T-20443A-10-0194, T-03555A-10-0194 and T-03902A-10-0194. The adoption of this Agreement will further serve the public interest by allowing the Settling Parties to avoid the expense and delay associated with litigation;

AND WHEREAS, in consideration thereof, the Settling Parties agree as follows:

TERMS AND CONDITIONS

1. **Broadband Commitment.**

Joint Applicants shall invest no less than \$70 million in broadband infrastructure within the State of Arizona over a five year period beginning January 1, 2011. (Condition 17)

2. **Retail and Wholesale Conditions.**

The Settling Parties agree to the conditions addressing retail operations (Conditions 10-18) and wholesale operations (Conditions 19-31) set forth in Attachment 1 of this Agreement.

3. **Merger Cost, Regulatory, Financial, Reporting, and Conservation of Commission Resources Conditions.**

The Settling Parties agree to the conditions addressing merger costs (Conditions 1-3), regulatory (Conditions 4-9), financial (Conditions 32-33), reporting (Conditions 34-40), and conservation of Commission resources (Condition 41) set forth in Attachment 1 of this Agreement.

4. **Effective Date.**

This Agreement is effective upon execution, however, the conditions contained in Attachment 1 of the Agreement shall not become effective unless and until the transaction closes. If the transaction does not close, this Agreement is null and void.

5. **FCC Conditions.**

Any required terms and conditions applicable to Competitive Local Exchange Carriers ("CLECs") or Commercial Mobile Radio Service ("CMRS") providers or other matters that are contained in the FCC's order approving the merger shall be in addition to the terms and conditions of this Agreement. If any of the FCC terms and conditions are inconsistent with this Agreement, the Joint Applicants, Staff or RUCO may request that the Commission revisit the terms and conditions adopted herein to determine whether adoption of the FCC condition would be more appropriate, unless the FCC condition is state specific or such choice is not permitted by the FCC Order.

6. **No Impairment.**

The Settling Parties agree that, with this Agreement and the agreed upon conditions and commitments contained herein and in Attachment 1 of this Agreement, the Joint Application of Qwest and CenturyLink for approval of the proposed merger will not impair the financial status of the Joint Applicants, otherwise prevent the Joint Applicants from attracting capital at fair and reasonable terms, or impair the ability of the Joint Applicants to provide safe, reasonable and adequate service, and should be approved and authorized by the Commission pursuant to A.A.C. R14-2-803.

7. **Public Interest.**

The Settling Parties agree that, with this Agreement and the agreed upon conditions and commitments contained herein and in Attachment 1 of this Agreement, the Joint Application of Qwest and CenturyLink for approval of the proposed merger is in the public interest and should be approved by the Commission. As part of meeting the public interest standard, the merger will create numerous benefits to consumers in the State of Arizona. Those benefits include:

(a) creation of a combined company that is stronger financially than either company would be standing alone. This will provide the merged company the ability to make necessary investments to its network in order to provide advanced products and services.

(b) substantial investment in broadband in the state, as particularly describe in Section 1 above.

(c) maintenance of existing retail service quality measures for a period of two (2) years;

(d) implementation of a new local market model where by operation decisions are pushed closer to the customer, increasing responsive to customers' needs, marketing flexibility, and targeted investment.

(e) neither Qwest Corporation nor any successor entity will recover through wholesale service rates or other fees paid by CLECs or through Arizona end-user retail rates the acquisition costs of the merger.

(f) extension of interconnection agreements, wholesale agreements, commercial agreements and tariffs for the benefit of CLECs and their respective customers.

(g) the Joint Applicants will evaluate existing litigation involving the Commission and make a good faith effort to resolve the issues without further litigation.

(h) the Joint Applicants have agreed to significant reporting to the Commission which will enable the Commission to better evaluate improvements in service quality, customer complaints, infrastructure, broadband coverage, and the financial status of the Joint Applicants.

8. **Resolution of All Issues.**

This Agreement resolves all Settling Parties' issues related to the Commission's approval of the Joint Application.

9. **Commission Evaluation of this Proposed Settlement.**

(a) The Settling Parties agree that all currently filed testimony and exhibits shall be stipulated into the Commission's record as evidence. Each of the Settling Parties shall file testimony in support of the Agreement.

(b) The Settling Parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

(c) This Agreement shall serve as a procedural device by which the Settling Parties will submit their proposed settlement of Docket Nos. T-01051B-10-0194, T-02811B-10-0194, T-04190A-10-0194, T-20443A-10-0194, T-03555A-10-0194 and T-03902A-10-0194 to the Commission. Except for Sections 13, 14 and 16, this Agreement will not have any binding force or effect until its provisions are adopted as an order of the Commission.

(d) The Settling Parties further recognize that the Commission will independently consider and evaluate the terms of this Agreement.

10. Approval by the Commission; Approval with Material Conditions.

(a) If the Commission issues an order adopting all material terms of this settlement, such action shall constitute Commission approval of this Agreement. Thereafter, the Settling Parties shall abide by the terms as approved by the Commission.

(b) If the Commission is willing to approve the Joint Application, but such approval is contingent upon conditions or requirements that materially alter the Agreement ("Material Conditions"), the Settling Parties shall meet and confer as soon as reasonably practical to determine in good faith whether each Party would be willing to accept such Material Conditions. If the Material Conditions are not acceptable to one or more of the Settling Parties, then the Settling Parties, prior to the Commission approving the Settlement, shall request that the Commission send the matter back to the Hearing Division for an expedited evidentiary hearing on the Joint Application based upon the pre-filed testimony in the Docket. If the Commission approves the Settlement with terms that materially alter the Agreement and one or more of the Settling Parties are not willing to accept the terms, then the Settling Parties (with the exception of Staff) shall request a rehearing pursuant to ARS § 40-253. For the purposes of this Agreement, whether a condition or requirement constitutes a Material Condition shall be left to the discretion of each Party.

11. Definitive Text.

The "Definitive Text" of this Agreement shall be the text adopted by the Commission in an order that approves all material terms of the Agreement, including all modifications made by the Commission in such an order.

12. Non-Severability Clause.

Each of the terms of the Definitive Text of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

13. Privileged and Confidential Communications.

All negotiations relating to this Agreement are privileged and confidential, and no Party is bound by any position asserted in negotiations, except as expressly stated in this Agreement.

As such, evidence of conduct or statements made in the course of negotiating this Agreement are not admissible as evidence before the Commission, any other regulatory agency, or any court.

14. No Waiver or Admission.

(a) This Agreement represents the Settling Parties' mutual desire to compromise and settle disputed issues in a manner consistent with the public interest.

(b) Nothing in this Agreement shall be construed as an admission by any of the Settling Parties that any of the positions taken by any Party in this proceeding is unreasonable or unlawful. In addition, acceptance of this Agreement by any of the Settling Parties is without prejudice to any position taken by any Party in these proceedings.

(c) This case presents a unique set of circumstances and has attracted a number of participants with diverse interests. To achieve consensus for settlement, the Settling Parties are accepting positions that, in any other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest.

15. Entire Agreement.

The Settling Parties acknowledge that this Agreement is a product of negotiations and compromise. This Agreement constitutes the Settling Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understanding or agreements on such matters.

16. Duty to Defend and Support.

(a) The Settling Parties will support all aspects of this Agreement in any hearing, Open Meeting, or other Commission proceeding conducted to determine whether the Commission should approve this Agreement, and/or in any other Commission hearing, proceeding, or judicial review relating to this Agreement or the implementation of its terms and conditions. Each Settling Party also agrees that, except as expressly provided in this Agreement, it will take no action in any administrative or judicial proceeding, or otherwise, which would have the effect, directly or indirectly, of contravening the provisions or purposes of this Agreement.

(b) The Settling Parties agree to cooperate to ensure compliance with, or seek waiver of, applicable Commission orders or regulations to the extent necessary to permit all provisions of this Agreement to be performed and effective.

17. No Precedent Established.

This Agreement is made for settlement purposes only. Neither this Agreement nor any of the positions taken in this Agreement by any of the Signatories may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency,

or any court for any purpose except in furtherance of securing the approval and enforcement of this Agreement.

18. No Waiver; Reservation of Rights.

(a) Nothing in this Agreement shall constitute a waiver by any Party with respect to any matter not specifically addressed in this Agreement. In the event this Agreement becomes null and void or in the event the Commission does not approve this Agreement, or in the event that the merger does not close, this Agreement, as well as the negotiations or discussions undertaken in conjunction with the Agreement, shall not be admissible into evidence in these or any other proceeding.

(b) The Settling Parties expressly reserve the right to advocate positions different from those stated in this Agreement in any proceeding other than one necessary to obtain approval of, or to implement, this Agreement or its terms and conditions, but this section shall not contravene or reduce any Settling Parties' obligations set forth herein.

19. Commission Jurisdiction.

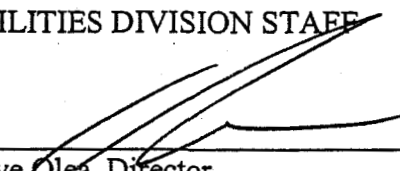
Nothing herein is intended to in any way limit or restrict the Commission's jurisdiction or authority over Qwest or CenturyLink as provided for under the Arizona Constitution, the Arizona Revised Statutes and Commission rules. Further, unless expressly and specifically waived herein, Qwest and CenturyLink shall continue to comply with all Commission rules and orders.

20. Execution and Counterparts.


This Agreement may be signed in counterparts, each of which shall be deemed an original. This Agreement may be executed by facsimile or electronic signature and the Settling Parties agree that such execution shall have the same force and effect as delivery of an original document with original signatures, and that each Party may use such facsimile or electronic signatures as evidence of the execution and delivery of this Agreement by the Settling Parties to the same extent that an original signature could be used.

DATED this 24th day of November, 2010.

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION STAFF

By: 
Steve Olea, Director
Utilities Division
1200 West Washington
Phoenix, Arizona 85007

QWEST COMMUNICATIONS
INTERNATIONAL, INC., and its Arizona
telephone operating subsidiaries Qwest
Corporation, Qwest Communications Company
LLC, and Qwest LD Corp.

By: 
James P. Campbell, Arizona State President
20 E. Thomas Road
Phoenix, Arizona 85012

CENTURYLINK, INC., and its Arizona telephone
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Communications, Embarq Payphone Services, Inc.,
d/b/a CenturyLink, and CenturyTel Solutions LLC

By: _____
Jeff Glover
Vice President - Regulatory Operations & Policy
100 CenturyLink Drive
Monroe, Louisiana 71203

RESIDENTIAL UTILITY CONSUMER OFFICE

By: _____
Jodi Jerich, Director
1110 W. Washington, Suite 220
Phoenix, Arizona 85007

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SETTLEMENT AGREEMENT

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Subject of Condition	Agreed Condition
MERGER COSTS	<p>1. The Merged Company agrees that Qwest Corporation or any successor entity shall not recover, or seek to recover through wholesale service rates or other fees paid by CLECs or through Arizona end-user retail rates: a) one-time transition, branding, or any other transaction-related costs; b) any acquisition premium paid by CenturyLink for QCI; and c) any increases in overall management costs that result from the transaction, including those incurred by the operating companies. For purposes of this condition, "transaction-related costs" shall be construed to include all Merged Company costs related to or resulting from the transaction and any related transition, conversion, or migration costs and, for example, shall not be limited in time to costs incurred only through the Closing Date.</p>
	<p>2. That the Merged Company shall provide the Arizona Corporation Commission ("Commission") with access to all books of account, all documents, data, and records that pertain to the proposed merger in accordance with relevant Commission decisions, statutes and rules, including the Affiliated Interest Rules.</p>
	<p>3. That the Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any relevant proceeding. Nothing in this condition is intended to limit the Commission's authority in any way.</p>
REGULATORY	<p>4. In the Qwest ILEC service territory, after the merger closing, Qwest Corporation shall continue to be classified as a Bell Operating Company ("BOC"), pursuant to Section 3(4)(A)-(B) of the Communications Act and shall be subject to all requirements applicable to BOCs, including Sections 271 and 272.</p>
	<p>5. The Merged Company agrees that Qwest Corporation or any successor entity shall continue to comply with all Section 271 obligations adopted by this Commission and the FCC, including all Qwest Performance Assurance Plan ("QPAP") and Performance Indicator Definition ("PID") obligations, until it is released of those obligations by the FCC and/or this Commission, as appropriate.</p>
	<p>6. That the Merged Company shall continue to comply with all relevant prior Commission orders and decisions, unless the Commission specifically finds in an order that they are no longer applicable.</p>
	<p>7. The Merged Company agrees that Qwest Corporation or any successor</p>

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	<p>entity shall maintain its books and records in accordance with the Uniform System of Accounts ("USOA") and to provide the Commission with financial data on a separated intrastate basis for as long as required by the Commission.</p>
	<p>8. That the Merged Company agrees to notify the Commission of any merger and/or reorganization that would affect the Qwest Corporation Arizona ILEC operating company and agrees to file an application pursuant to applicable statutes and A.A.C. R14-2-801 <i>et seq.</i> for Commission approval before any such merger and/or reorganization occurs.</p>
	<p>9. The Merged Company agrees that Qwest Corporation or any successor entity shall provide to the Commission access to its books and records and those of its subsidiaries and affiliates, in a form acceptable to the Commission, to the extent deemed necessary by the Commission to ensure the provision of service at just and reasonable rates in the future.</p>
RETAIL OPERATIONS	<p>10. That within 180 days following merger close, CenturyTel Solutions shall file for modification or cancellation of its CLEC Certificate of Convenience & Necessity granted by Commission Decision No. 63638.</p>
	<p>11. That the Merged Company for a period of two years following merger close shall not file to make changes to its Service Quality Tariff; unless recommended by the Staff or the Commission.</p>
	<p>12. The Merged Company will abide by Commission decisions, statutes and rules regarding any filing to obtain funds from the Arizona Universal Service Fund ("AUSF"). However, the Merged Company may not file to obtain funds from the AUSF until after a final order is issued by the Commission in Docket No. RT-00000H-97-0137, or three years from merger close, whichever comes first.</p>
	<p>13. That the Merged Company shall maintain or improve its pre-merger complaint status in the Qwest Arizona service areas.</p>
	<p>14. That the Merged Company shall ensure that retail support centers are sufficiently staffed with adequately trained personnel who will provide a level of service not less than and functionally equivalent to that provided in the Qwest service areas prior to the merger. Commencing within sixty days of the end of the first full quarter after the close of the merger, and then every six months thereafter for a period of three years after close of merger, the Merged Company shall provide to Staff a report showing integration plans describing the scheduling and scoping of major systems conversions that may impact Arizona customers including business</p>

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	<p>office and trouble reporting call centers, maintenance systems that monitor central office and transport equipment, engineering systems, outside plant record systems, billing systems, and wholesale OSS.</p> <p>The information regarding condition 14 shall be submitted confidentially to the Commissioners, the Director of the Utilities Division, and the Director of RUCO, at least 90 days before any of the above changes occur and with notice of such submittal filed in Docket Control.</p>
	<p>15. That no Commission-regulated intrastate retail service currently offered by Qwest Corporation will be discontinued for a period of at least one year following the Closing Date, except as approved by the Commission.</p>
	<p>16. That the Merged Company, for a period of three years from the close of the merger, shall give at least 90 days notice of any plans to integrate portions of Qwest's retail support systems with portions of the CenturyLink and/or Embarq systems. If the integration is to be accomplished in phases, 90 days notice shall be given before each separate phase. The Merged Company shall make a filing detailing the proposed integration and the schedule in which it is to be accomplished. The Merged Company shall indicate what support system is being replaced and what support system will survive. It shall also discuss any problems that occurred with similar integrations in other jurisdictions and how such problems will be mitigated in Arizona. The Merged Company shall explain how the proposed integration, where it affects retail operations, will improve or at least maintain current Qwest retail support systems.</p> <p>The information regarding condition 16 shall be submitted confidentially to the Commissioners, the Director of the Utilities Division, and the Director of RUCO, at least 90 days before any of the above changes occur and with notice of such submittal filed in Docket Control.</p>
	<p>17. Qwest Corporation, or any successor entity, shall invest not less than \$70 million in broadband infrastructure in Arizona over a five year period beginning January 1, 2011.</p>
	<p>18. The Merged Company shall provide notice to the Director of the Utilities Division and the Commissioners of Internet Protocol Television ("IPTV") deployment plans, on a confidential basis, no less than 30 days prior to the commercial launch of IPTV in the Qwest ILEC territory.</p> <p>For a period of three years, the Merged Company will meet with Commission Staff and RUCO annually, on a confidential basis, within 60 days of the anniversary date of the merger, to review 1) broadband deployment plans in the state including deployment in the previous year</p>

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	<p>and deployment plans for the upcoming year; 2) compliance with the Broadband commitment in condition 17 including the status of wireline broadband service in unserved and underserved areas; and 3) the status of the offering of Pure Broadband and extended DSL service in the Arizona Qwest ILEC service area.</p> <p>For purposes of this condition, "unserved" means an area that has no wireline broadband service, and "underserved" means an area with wireline broadband service but only at download speeds of 1.5 Mbps or less, and "area" means one or more living units.</p>
<p>WHOLESALE OPERATIONS</p>	<p>19. In Qwest ILEC service territory, after the Closing Date, the Merged Company will use and offer to wholesale customers the legacy Qwest Operational Support Systems ("OSS") for at least two years, or until July 1, 2013, whichever is later, and thereafter provide a level of wholesale service quality that is not less than that provided by Qwest prior to the Closing Date, with functionally equivalent support, data, functionality, performance, electronic flow through, and electronic bonding. After the period noted above, the Merged Company will not replace or integrate Qwest systems without first establishing a detailed transition plan and complying with the following procedures:</p> <p>a. <u>Detailed Plan</u>. The Merged Company will provide notice to the Wireline Competition Bureau of the FCC, the Commission and CLECs that are parties to this proceeding at least 270 days before replacing or integrating Qwest OSS system(s). Upon request, the Merged Company will describe the system to be replaced or integrated, the surviving system, and steps to be taken to ensure data integrity is maintained. The Merged Company's plan will also identify planned contingency actions in the event that the Merged Company encounters any significant problems with the planned transition. The plan submitted by the Merged Company will be prepared by information technology professionals with substantial experience and knowledge regarding legacy CenturyLink and legacy Qwest systems processes and requirements. CLEC will have the opportunity to comment on the Merged Company's plan in a forum in which it is filed, if the regulatory body allows comments, as well as in the Qwest Change Management Process.</p> <p>b. <u>CMP</u>. The Merged Company will follow the procedures in the Qwest Change Management Process ("CMP") Document.¹</p> <p>c. <u>Replacement or Retirement of a Qwest OSS Interface</u>.</p> <p>i. The replacement or retirement of a Qwest OSS Interface may not occur</p>

¹ The Qwest CMP Document is available at <http://www.qwest.com/wholesale/cmp/>

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	<p>without sufficient acceptance of the replacement interface by CLECs to help assure that the replacement interface provides the level of wholesale service quality provided by Qwest prior to the Closing Date. Each party participating in testing will commit adequate resources to complete the acceptance testing within the applicable time period. The Parties will work together to develop acceptance criteria. Testing will continue until the acceptance criteria are met. Sufficient acceptance of a replacement for a Qwest OSS Interface will be determined by a majority vote, no vote to be unreasonably withheld, of the CMP participants (Qwest and CLECs) in testing, subject to any party invoking the CMP's Dispute Resolution process. The requirements of this paragraph will remain in place only until completion of merger-related OSS integration and migration activity. If a dispute arises as to whether such merger-related OSS integration and migration activity is complete, the Commission will determine the completion date.</p> <p>ii. The Merged Company will allow coordinated testing with CLECs, including a stable testing environment that mirrors production, jointly established test cases, and, when applicable, controlled production testing, unless otherwise agreed to by the Parties. Testing described in this paragraph associated with merger-related system replacement or integration will be allowed for the time periods in the CMP Document, or for 120 days, whichever is longer, unless otherwise mutually agreed to by the Parties.</p> <p>iii. The Merged Company will provide the wholesale carriers training and education on any wholesale OSS implemented by the Merged Company without charge to the wholesale carrier.</p> <p>d. <u>Billing Systems</u>. The Merged Company will not begin integration of Billing systems before the end of the minimum two year or July 1, 2013 period, whichever is longer, noted above, or without following the above procedures, unless the integration will not impact data, connectivity and system functions that support or affect CLECs and their customers.</p> <p>i. Any changes by the Merged Company to the legacy Qwest non-retail OSS will meet all applicable ICA provisions related to billing and, to the extent not included in an ICA, will be Ordering and Billing Forum (OBF) compliant.</p>
	<p>20. In the Qwest ILEC service territory, the Merged Company shall comply with all wholesale performance requirements and associated remedy or penalty regimes for all wholesale services, including those set forth in regulations, tariffs, interconnection agreements, and Commercial agreements applicable to legacy Qwest as of the Merger Closing Date. In the Qwest service territory, the Merged Company shall continue to</p>

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provide to CLECs at least the reports of wholesale performance metrics that legacy Qwest made available, or was required to make available, to CLECs as of the Merger Closing Date, or as subsequently modified or eliminated as permitted under this Agreement or pursuant to any changes in law. The Merged Company shall also provide these reports to Commission Staff, or the FCC when requested. The Commission and/or the FCC may determine that additional remedies are required; to the extent the Commission or FCC finds it is consistent with its jurisdiction. The Merged Company does not waive its right to oppose such a request.

- a. The Parties will not seek to reduce or modify the Qwest Performance Indicator Definition (PID) or Qwest Performance Assurance Plan (QPAP) that is offered, or provided via contract or Commission approved plan, as of the Merger Closing Date for at least eighteen months after the Closing Date. After the eighteen month period, the Parties may seek modifications under the terms and conditions outlined in the QPAP. The Merged Company will not seek to eliminate or withdraw the QPAP for at least three years after the Closing Date. The QPAP will continue to be available to all CLECs unless the Merged Company obtains approval from the Commission to eliminate or withdraw it.
 - i. For at least three years after the Closing Date, and consistent with the FCC's required conditions of the Embarq-CenturyTel merger, in the Qwest ILEC service territory, the Merged Company shall meet or exceed the average wholesale performance provided by Qwest to CLEC, measured as follows:
 - (a.) For the first three months after Closing Date, Qwest's performance will be compared to Qwest's performance for the twelve months prior to Closing Date.
 - (b.) Thereafter, each successive month of Qwest's performance will be added to the three month period in (a.) in determining Qwest's performance until twelve months after Closing Date.
 - (c.) Beginning one year after Closing Date, Qwest's performance will be measured by a rolling twelve month average performance.
- b. If the Merged Company fails to provide wholesale performance levels as measured by the methodology described in this condition, the Merged Company must conduct a root cause analysis for the discrepancies and develop proposals to remedy each deficiency within thirty days and provide this to CLEC for review and comment.
 - i. CLEC may invoke the root cause procedure for deterioration in wholesale performance for any PID, product, or disaggregation

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	<p>included within a PID measure if CLEC determines that the performance it received for that PID, product, or disaggregation is materially different and provides the basis for CLEC's determination.</p> <p>ii. If performance deficiencies are not resolved, CLEC may request a resolution or wholesale service quality proceeding before the Commission. The Merged Company does not waive its right to oppose such a request.</p>
	<p>21. The Merged Company shall incorporate XML in place of EDI in any relevant metrics as it has already done in Colorado, Utah and Montana. Any changes to the PIDs or QPAP must be approved by the Commission.</p>
	<p>22. In the Qwest ILEC service territory, the Merged Company will maintain the Qwest Corporation Change Management Process for 36 months after the transaction closing, utilizing the terms and conditions set forth in the CMP Document. CenturyLink and Qwest Corporation do not waive their rights to modify the CMP consistent with the provisions contained in the CMP Document. Pending CLEC Change Requests shall continue to be processed in a commercially reasonable time frame consistent with the provisions contained in the CMP Document. The Merged Company will not terminate the CMP without Commission approval.</p>
	<p>23. Notwithstanding any provision allowing one or both parties to Qwest interconnection agreements, Commercial agreements, Wholesale agreements, interstate tariffs, and intrastate tariffs, and other wholesale agreements between Qwest Corporation or its successors and assigns and CLEC ("Extended Agreements") to terminate the Extended Agreement upon or after expiration of the term of the agreement, the Merged Company shall not terminate or grandparent, change the terms or conditions, or increase the rates of any Extended Agreements during the unexpired term or for at least the Applicable Time Period identified below, whichever occurs later (the "Extended Time Period"), unless required by a change of law, or CLEC requests or agrees in writing to a change and any applicable procedure to effectuate that change is followed. In the event that the Extended Agreement expressly allows termination of the agreement in other circumstances, such as default due to non-payment, this condition does not preclude termination of an Extended Agreement in those circumstances provided that the Merged Company follows both (1) the Extended Agreement's express provisions, and (2) any applicable procedures pertaining to such termination. Upon approval of the Transaction with this Agreement in the public record, the Parties will consider these terms to be part of the order of approval and thus not trigger or require the filing of an ICA amendment, unless</p>

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directed otherwise by the Commission or FCC. To the extent an amendment is requested, the Parties agree to execute and file an amendment to the ICA with the Commission within 30 days of the Closing Date, the terms of which will mirror the language in this Agreement, unless mutually agreed otherwise.

a. Interconnection Agreements. The Applicable Time Period for Qwest's interconnection agreements (ICAs) is at least thirty-six months after the Closing Date. The Extended Time Period applies whether or not the initial or current term has expired or is in evergreen status.

i. The Merged Company shall allow CLEC to use its or its affiliate's pre-existing interconnection agreement as the basis for negotiating an initial successor replacement interconnection agreement to the extended ICA. Where the parties agree it is reasonable to do so, the parties may incorporate the amendments to the existing agreement into the body of the agreement used as the basis for such negotiations of the initial successor replacement interconnection agreement. CLEC may also use any Commission-approved ICA to which Qwest Corporation is a party in Arizona that is in its initial term or extended term as the basis for negotiating a replacement ICA.

ii. CLEC may opt-in to an interconnection agreement in its initial term or the extended term.

iii. If Qwest and CLEC are in negotiations for a replacement interconnection agreement before the Closing Date, the Merged Company will allow CLEC to continue to use the negotiations draft upon which negotiations prior to the Closing Date have been conducted as the basis for negotiating a replacement interconnection agreement. In the latter situation (ongoing negotiations), after the Closing Date, the Merged Company will not substitute a negotiations template interconnection agreement proposal of any legacy CenturyLink operating company for the negotiations proposals made before the Closing Date by legacy Qwest.

b. Commercial Agreements. The Applicable Time Period for Commercial agreements is at least eighteen months after the Closing Date for Qwest's Commercial agreements (*i.e.*, offerings made available after a UNE(s) becomes unavailable via ICA): Broadband for Resale, Commercial Broadband Services (QCBS), Commercial Dark Fiber, High Speed Commercial Internet Service (HSIS), Local Services Platform (QLSP), Internetwork Calling Name (ICNAM), and Commercial Line Sharing, as well as any other Commercial agreement

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to which Qwest and CLEC were parties as of the Closing Date. Notwithstanding any provision to the contrary in this Agreement:

- i. After the eighteen month period, Qwest reserves the right to modify rates.
 - ii. If a Commercial agreement later becomes unavailable on a going forward basis, the agreement will remain available to CLEC on a grandparented basis to serve CLEC's embedded base of customers already being served via services purchased under that Commercial agreement, subject to Qwest's right to modify rates, for at least eighteen months after Qwest has notified CLEC that the agreement is no longer available.
- c. Wholesale Agreements. The Applicable Time Period for Wholesale agreements is at least eighteen months after the Closing Date for Qwest's Wholesale agreements (*i.e.*, offerings made available after a tariffed offering becomes unavailable via tariff): Wholesale Data Services Agreement (ATM, Frame Relay, GeoMax, HDTV-Net, Metro Optical Ethernet, Self-Healing Network, Synchronous Service Transport), as well as any other Wholesale agreement to which Qwest and CLEC were parties as of the Closing Date. Notwithstanding any provisions to the contrary in this Agreement:
- i. After the eighteen month period, Qwest reserves the right to modify rates.
 - ii. If a Wholesale agreement later becomes unavailable on a going forward basis, the agreement will remain available to CLEC on a grandparented basis to serve CLEC's embedded base of customers already being served via services purchased under that Wholesale agreement for at least eighteen months after Qwest has notified CLEC that the agreement is no longer available, subject to Qwest's right to modify rates.
- d. Tariffs. The Applicable Time Period is at least twelve months after the Closing Date for Qwest wholesale tariff offerings that CLEC ordered from Qwest via tariff as of the Closing Date. Notwithstanding any provision to the contrary in this Agreement, Qwest may engage in Competitive Response pricing as set forth in its tariffs.
- i. Regarding term and volume discount plans, such plans offered by Qwest as of the Closing Date will be extended by twelve months beyond the expiration of the then existing term, unless CLEC indicates it opts out of this one-year extension.

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	<p>ii. The Merged Company will honor any existing contracts for services on an individualized term pricing plan arrangement for the duration of the contracted term.</p>
	<p>24. The Merged Company shall ensure that Wholesale and CLEC operations are sufficiently staffed and supported, relative to wholesale order volumes, by personnel, including IT personnel, adequately trained on the Qwest and CenturyLink systems and processes. With respect to the Wholesale and CLEC operations, such personnel shall be dedicated exclusively to wholesale operations so as to provide a level of service that is not less than and is functionally equivalent to that which was provided by Qwest prior to the Merger Closing Date and to ensure that CLEC protected information is not used by the Merged Company's retail operations or marketing purposes. The Merged Company will employ people who are dedicated to the task of meeting the needs of CLECs and other wholesale customers.</p>
	<p>25. The Merged Company shall provide to wholesale carriers, and maintain and make available to wholesale carriers on a going-forward basis, up-to-date escalation information, contact lists, and account manager information and will provide this information, when possible, thirty days prior to the Closing Date. If not possible, the Merged Company will provide the information within five business days, absent exigent circumstances. For changes to support center location, the Merged Company will provide at least thirty days advance written notice to wholesale carriers. For other changes, the Merged Company will provide reasonable notice, as circumstances permit, of the changes and will keep pertinent information timely updated. The information and notice provided shall be consistent with the terms of applicable interconnection agreements. In addition, the Merged Company will provide the information required by this paragraph to the Commission and/or Staff upon request.</p>
	<p>26. The Merged Company will make available to each wholesale carrier in the Qwest ILEC service territory the types and level of data, information, and assistance that Qwest made available as of the Closing Date concerning Qwest's wholesale Operational Support Systems functions and wholesale business practices and procedures, including information provided via the wholesale web site (which Qwest sometimes refers to as its Product Catalog or "PCAT"), notices, industry letters, the change management process, and databases/tools (loop qualification tools, loop make-up tool, raw loop data tool, ICONN database, etc.).</p>
	<p>27. <u>Rates Generally.</u> The Merged Company agrees not to increase the rates in Qwest interconnection agreements during the Extended Time Period.</p>

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	<p>If, during the Extended Time Period, the Merged Company offers a Section 251 product or service that is not offered under an interconnection agreement (a "new" product or service), the Merged Company may establish a rate using normal procedures. A product, service, or functionality is not "new" for purposes of this paragraph if Qwest was already providing that product, service, or functionality at existing rates as of the Closing Date in the Qwest ILEC serving territory.</p> <p>a. Regarding rates changed via a Commission cost docket, the Merged Company may initiate a cost docket (or seek rate increases in a cost docket initiated by another party) before the expiration of the thirty-six month period for extension of ICA terms only if (i) the rate elements, charges or functionalities are not already provided under rates as of the Closing Date; or (ii) the cost docket is not initiated until at least eighteen months after the Closing Date and any rates approved in the cost docket will not become effective until after expiration of the thirty-six month period for extension of ICA terms.</p> <p>b. After the Closing Date, in the Qwest ILEC serving territory, the Merged Company shall not assess any fees, charges, surcharges or other assessments upon CLECs for activities that arise during the subscriber acquisition and migration process other than any fees, charges, surcharges or other assessments that were approved by the Commission and charged by Qwest in the Qwest ILEC service territory before the Closing Date, unless Qwest first receives Commission approval. This condition prohibits the Merged Company from charging such fees, charges, surcharges or other assessments, including:</p> <p>i. Service order charges assessed upon CLECs submitting local service requests ("LSRs") for number porting;</p> <p>ii. Access or "use" fees or charges assessed upon CLECs that connect a competitor's own self-provisioned loop, or last mile facility, to the customer side of the Merged Company's network interface device ("NID") enclosure or box; and</p> <p>iii. "Storage" or other related fees, rents or service order charges assessed upon a CLECs' subscriber directory listings information submitted to the Merged Company for publication in a directory listing or inclusion in a directory assistance database.</p>
	<p>28. In the Qwest ILEC service territory, to the extent that an interconnection agreement is silent as to an interval for the provision of a product, service or functionality or refers to Qwest's website or Service Interval Guide ("SIG"), the applicable interval, after the Closing Date, shall be no longer</p>

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	<p>than the interval in Qwest's SIG as of the Closing Date, for a period of three years.</p>
	<p>29. In the Qwest Arizona ILEC service territory, the Merged Company will not seek to avoid any of its obligations on the grounds that Qwest Corporation is exempt from any of the obligations pursuant to Section 251(f)(1) or Section 251(f)(2) of the Communications Act.</p>
	<p>30. Qwest will not seek to reclassify as "non-impaired" any Qwest Arizona wire centers for purposes of Section 251 of the Communications Act, nor will the Merged Company file any new petition under Section 10 of the Communications Act seeking forbearance from any Section 251 or 271 obligation or dominant carrier regulation in any Qwest Arizona wire center before June 1, 2012.</p>
	<p>31. After the Closing Date, the Merged Company agrees that Qwest Corporation or any successor entity will engineer and maintain its Arizona network in compliance with federal and state law, as well as the terms of applicable interconnection agreements.</p> <ul style="list-style-type: none"> a. Qwest Corporation or any successor entity shall not engineer the transmission capabilities of its network in a manner, or engage in any policy, practice, or procedure, that disrupts or degrades access to the local loop, as provided by 47 C.F.R. § 51.319(a)(8). b. Qwest Corporation or any successor entity will retire copper in compliance with federal and state law, as well as the terms of applicable interconnection agreements and as required by a change of law.
<p>FINANCIAL</p>	<p>32. That the Merged Company be required to report to the Commission and RUCO any of the following events for a period of three years after the close of the merger: 1) default on any loan by CenturyLink, Inc. or any of its Arizona subsidiaries; 2) a delisting of CenturyLink from trading on a major trading exchange; 3) CenturyLink, Inc.'s equity-to-total capital ratio falls below 40% and 4) CenturyLink, Inc. or any of its Arizona ILEC subsidiaries is rated with a non-investment rate grading by any of the three rating agencies including Fitch Ratings, Standard and Poor's and Moody's Investor Services or their successors. CenturyLink shall make its filing with the Commission no later than 30 days subsequent to filing its quarterly report on Form 10-Q or its annual report on Form 10-K with the Securities and Exchange Commission following the event. For the above three-year period, the Merged Company will also provide to Staff its 10Q, 10K, and 8K SEC reports and all publicly available reports issued by any of the three ratings agencies. For the purposes of this condition CenturyLink's equity ratio will be calculated using the total</p>

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	<p>market value of the CenturyLink Inc.'s common stock divided by its total enterprise value.</p>
	<p>33. CenturyLink will not seek to recover any acquisition adjustment paid for Qwest.</p>
<p>REPORTING</p>	<p>34. Within 60 days of the nearest calendar quarter after the annual anniversary date marking the close of the merger, and for two subsequent 12-month reporting periods, CenturyLink shall provide a report describing:</p> <ul style="list-style-type: none"> a. Substantive activities undertaken relating to integrating Qwest operations with CenturyLink, as well as achieving synergies made available as a result of this transaction. CenturyLink synergies will be reported on a CenturyLink total company basis; b. Costs and projected savings of each such respective activity on a CenturyLink total company and Arizona-allocated basis; c. Organizational and staff force changes in Arizona operations; d. Detail any cost savings that have resulted from the merger and have been passed on to consumers. The company can file its Arizona CAPEX and operating expenses to satisfy this condition; e. Improvement in the Merged Company's complaint level in Arizona; f. New services, including bundles available to customers; g. Improvement in service quality measures; h. Infrastructure improvements; i. Expanded broadband coverage; and j. Any other impacts on Arizona operations and customers. <p>Information regarding condition 34 that is confidential in nature shall be submitted to the Commissioners, the Director of the Utilities Division, and the Director of RUCO with notice of such submittal filed with Docket Control. The information that is not confidential will be filed with Docket Control.</p>
	<p>35. That if following merger close the Merged Company chooses to conduct layoffs or facility closings in Arizona that are attributable to the merger, it shall submit a report at least 30 days prior to the effective date of the layoffs or closings stating why it is necessary to do so and what efforts the Company is making to re-deploy those individuals elsewhere in the Company. This report shall also state whether any savings associated with facility closings have been re-invested in the Company's Arizona operations, and if not, why. Consistent with condition 34, the company can file its Arizona CAPEX and operating expenses demonstrating that it</p>

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DOCKET NO.
T-01051B-10-0194, ET AL.

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	<p>is re-investing in the state. This report shall be filed for one year following merger close or until CenturyLink informs the Commission by filing an affidavit with Docket Control that merger related activities are completed, whichever comes last.</p> <p>The information regarding condition 35 shall be submitted to the Commissioners, the Director of the Utilities Division, and the Director of RUCO, and may be done on a confidential basis.</p>
	<p>36. Qwest Corporation or any successor entity shall file complete annual reports, including all information required, in the form prescribed by the Commission.</p>
	<p>37. That the Merged Company shall notify the Commission within ten (10) business days of any substantive material changes to the transaction terms and conditions from those set forth in their Application that occur while the transaction is pending before the Commission.</p>
	<p>38. That the Merged Company shall provide notice of merger closure to the Commission within 45 days following the completion of the proposed merger in this transaction.</p>
	<p>39. That for three years following merger close an Executive Vice President, Chief Financial Officer of the Merged Company or appropriate Vice President or Officer shall certify to the Commission annually for three years that all Arizona CenturyLink entities are in compliance with all conditions contained in the Commission's decision in this matter.</p>
	<p>40. Qwest Corporation shall provide within 60 days of merger close the Operating Expense per 1,000 Working Access Lines, Annual Investment per 1,000 Working Access Lines, and Employees per 1,000 Working Access Lines by statewide average for the years 2008, 2009 and 2010.</p> <p>Information regarding condition 40 that is confidential in nature shall be submitted to the Director of the Utilities Division with notice of such submittal filed with Docket Control. The information that is not confidential will be filed with Docket Control.</p>
<p>CONSERVATION OF COMMISSION RESOURCES</p>	<p>41. That the Merged Company shall evaluate existing litigation involving the Commission and make a good faith effort to resolve the issues without further litigation. Following are cases which have entailed significant Commission resources which the Merged Company should include in its evaluation: (a) McLeodUSA v. ACC, Arizona District Case Court Case No. CV07-2145-PHX-HRH; (b) Qwest v. ACC, Arizona District Court Case No. CVO8-2374-PHX-JAT; (c) Pac-WestIlevel 3 VNXX Remand</p>

SETTLEMENT AGREEMENT

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	Proceeding ACC (Docket Nos. T-0105 1B-05-0495, T-03693A-05-0495, T-0105 1B-05-0415, T-036564A-05-0415).
DEFINITIONS	<p>The following definitions shall apply in this Attachment 1:</p> <p>"Commission" refers to the Arizona Corporation Commission.</p> <p>"Closing Date" or "Merger Closing Date" refers to the closing date of the transaction for which the joint applicants have sought approval from the FCC and the state commissions.²</p> <p>"FCC" refers to the Federal Communications Commission.</p> <p>"Merged Company" refers to CenturyLink, Inc. d/b/a CenturyLink, and Qwest Corporation.</p> <p>"Operational Support Systems" or "OSS" are defined by 47 CFR 51.319(g) and as interpreted in the rules and orders of the FCC.</p> <p>"OSS Interfaces" are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services (local exchange services) provided by CLECs to their end users.</p> <p>"Qwest Corporation" and "Qwest" refers to Qwest Corporation and its successors and assigns.</p>

² See Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc. d/b/a CenturyLink for Consent to Transfer Control, Pleading Cycle Established, Public Notice, DA 10-993, WC Dkt. No. 10-110 (rel. May 28, 2010) ("Public Notice") and related applications filed in state proceedings.

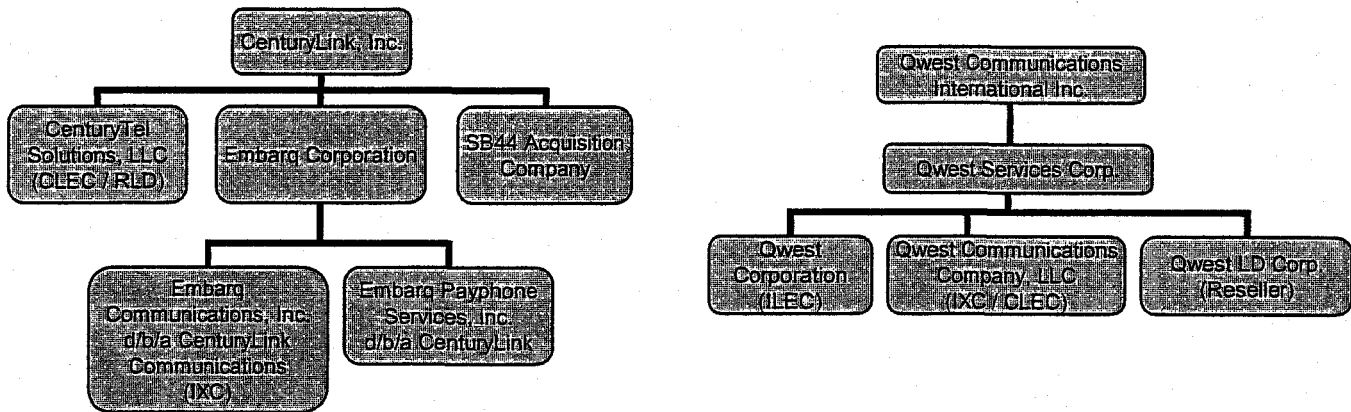
EXHIBIT

B

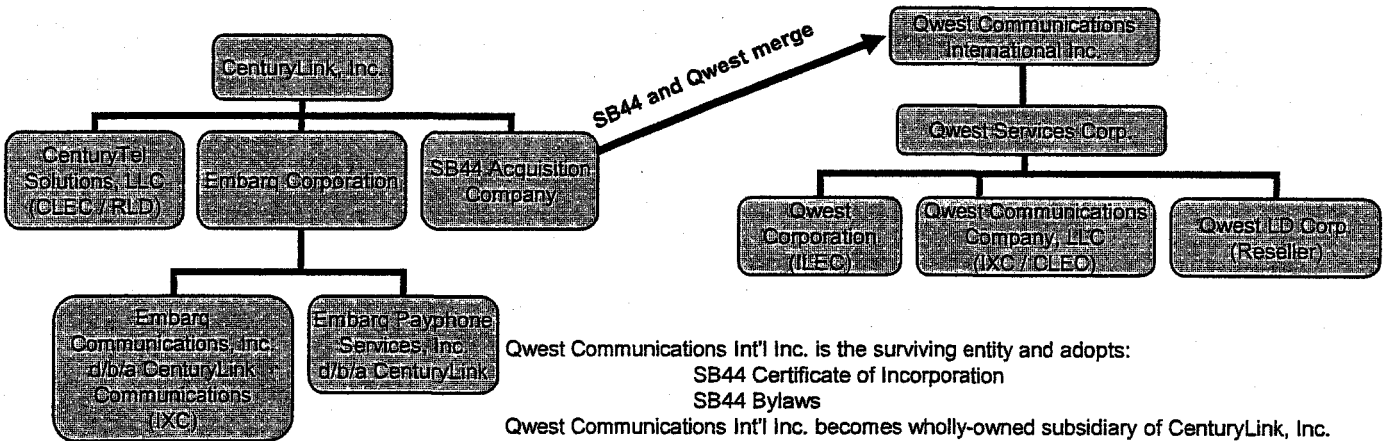
Exhibit A
Joint Notice and Application

ARIZONA
Organizational Structure Diagrams

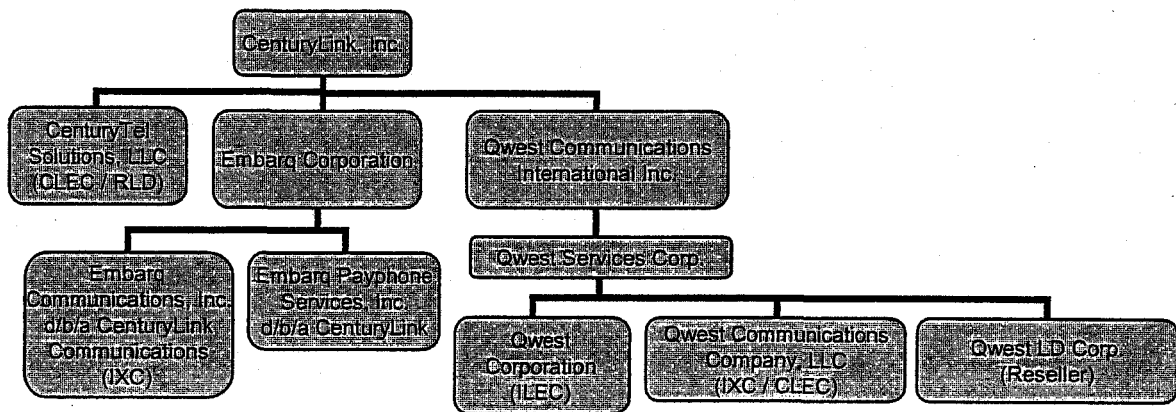
Pre-Merger



Merger



Post-Merger



NOTE: CenturyTel, Inc. will change its name to CenturyLink, Inc. on May 20, 2010, assuming shareholder approval.

EXHIBIT C

**INDEX OF STATE DECISIONS
APPROVING THE QWEST/CENTURYLINK MERGER**

California – Advice Letter 172, June 24, 2010.

Colorado – Docket No. 10A-350 T, Decision No. C11-0001, January 3, 2011:
https://www.dora.state.co.us/pls/efi/efi_p2_v2_demo.show_document?p_dms_document_id=93645&p_session_id=

Colorado – Erratta, Docket No. 10A-350 T, Decision No. C11-0001-E, January 5, 2011:
https://www.dora.state.co.us/pls/efi/efi_p2_v2_demo.show_document?p_dms_document_id=93855&p_session_id=

District of Columbia – Docket No. FC892-T-4033. Order Not Applicable:
http://www.dcpsc.org/edocket/docketsheets.asp?chkTelco=on&cboftype=FC&CaseNumber=892&ItemNumber=4033&orderno=&PartyFiling=&FilingType=&yr_filing=&Keywords=&FromDate=&ToDate=&toggle_text=Full+Text&show_result=Y&hdn_orderNumber=&hdn_chk_whole_search=&hdn_AssesmentType=

Georgia - Docket Numbers 6543, 10664, 5043, and 6094: No further action, order not required: <ftp://www.psc.state.ga.us/Dockets/6543/130041.doc>

Hawaii – Docket No. 2010-0110, Decision Issued June 15, 2010:
http://dms.puc.hawaii.gov/dms/OpenDocServlet?RT=&document_id=91+3+ICM4+LSD+B15+PC_DocketReport59+26+A1001001A10F16B02348B5840018+A10F16B02348B584001+14+1960

Iowa – Docket No. SPU-2010-0006, November 19, 2010:
<https://efs.iowa.gov/efiling/groups/external/documents/docket/054758.pdf>

Louisiana – Docket No. U-31379, Order No. U-31379, September 17, 2010:
<http://lpscstar.louisiana.gov/star/ViewFile.aspx?Id=804cb80a-488c-4b3b-80f3-9d87f33d0ac3>

Maryland – Maillog # 123575, July 7, 2010:
<http://webapp.psc.state.md.us/Intranet/Content.cfm?ServerFilePath=\\Coldfusion\LetterOrder%5CPosted%5C4902.doc>

Mississippi – Docket No. 2010-UA-218, September 14, 2010:
http://www.insite.psc.state.ms.us/publicinsiteweb/cts_wv/VUDocViewFS.aspx?VU_ViewDef=CTSVIEW&VU_SearchDef=CTS_ARCHIVEQ

Montana – Docket No. D2010.5.55, Order No. 7096e, December 14, 2010:
http://www.psc.mt.gov/eDocs/eDocuments/pdfFiles/D2010-5-55_7096e.pdf

Nebraska – Application No. C-4280, January 4, 2011:
<http://www.psc.state.ne.us/home/NPSC/communication/orders/Misc/C4280110104.pdf>

**INDEX OF STATE DECISIONS
APPROVING THE QWEST/CENTURYLINK MERGER**

New Jersey – BPU Docket No. TM10050343, December 16, 2010.

New York – Docket No. 10-C-0345, August 24, 2010

<http://documents.dps.state.ny.us/public/Common/ViewDoc.aspx?DocRefId={1263CA4D-C79C-4CDA-ACBC-FD15B6F26B20}>

Ohio – Case No. 10-0717-TP-ACO, Approved by Operation of Law, June 29, 2010:

<http://dis.puc.state.oh.us/TiffToPDF/A1001001A10G01A84432B67150.pdf>

Pennsylvania - Docket Number A-2010-2176733, October 14, 2010

<http://www.puc.state.pa.us/pcdocs/1097935.docx>

Utah – Docket No. 10-049-16, January 4, 2011:

<http://psc.utah.gov/utilities/telecom/telecomindx/2010/documents/703411004916RO.pdf>

Virginia – Case No. PUC-2010-00023, September 24, 2010:

http://docket.scc.state.va.us/CyberDocs/Libraries/Default_Library/Common/frameviewds.p.asp?doc=105304&lib=CASEWEBP%5FLIB&mimetype=application%2Fpdf&rendition=native

West Virginia – Case No. 10-0825-T-PC, August 3, 2010:

<http://www.psc.state.wv.us/scripts/WebDocket/ViewDocument.cfm?CaseActivityID=301698>

EXHIBIT

D

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this 6th day of November, 2010, by and among CenturyLink, Inc., a Louisiana Corporation ("CenturyLink"), and its affiliates, Qwest Communications International, Inc. ("QCI"), a Delaware Corporation, and its affiliates, including Qwest Corporation, Integra Telecom, Inc., an Oregon Corporation, and its affiliates (collectively "Integra" or "CLEC(s)") with operations in the state of Arizona, Colorado, Idaho, Minnesota, Montana, North Dakota, Oregon, Utah, and Washington, among others. To the extent that Integra becomes certified to do business or does business in Iowa, Nebraska, New Mexico, South Dakota, and Wyoming during the time periods covered by this Agreement, this Agreement will also apply. CenturyLink, QCI and Integra may be referred to collectively as the "Parties."

Whereas, CenturyLink and QCI have entered into an Agreement and Plan of Merger, dated April 21, 2010, which, upon completion, will result in QCI becoming a wholly owned subsidiary of CenturyLink ("Transaction").

Whereas, the Transaction requires the approval of the Federal Communications Commission ("FCC") and various state commissions in states where CenturyLink, QCI, or Integra operate, among other approvals.

Whereas, CenturyLink and QCI have filed applications for authorization to effectuate the Transaction at the FCC and in several states, including in the states of Arizona, Colorado, Iowa, Nebraska, Minnesota, Montana, Oregon, Utah, and Washington.

Whereas, Integra intervened in the state commission review proceedings in Arizona, Colorado, Minnesota, Montana, Oregon, Utah, and Washington, and filed or presented testimony expressing concerns related to the Transaction. Integra also made filings with the FCC raising similar concerns, objections, and proposed conditions and has presented its concerns regarding the Transaction to various Legislators.

Whereas, the Parties have reached a mutually agreeable settlement of Integra's concerns, objections, and proposed conditions regarding the Transaction such that Integra believes that with this Agreement, and without modification or addition to its terms, the Transaction is in the public interest from Integra's perspective and should be approved by the FCC and the state commissions.

In consideration of the mutual representations and covenants contained herein, the Parties hereby agree as follows:

A. Definitions:

“Closing Date” or “Merger Closing Date” refers to the closing date of the Transaction for which the Applicants have sought approval from the FCC and state commissions.¹

“Merged Company” refers to the post-merger company (CenturyLink and its operating companies, collectively, after the Closing Date).

“Operational Support Systems” or “OSS” are as defined by 47 CFR 51.319(g) and as interpreted in the rules and orders of the FCC.

“OSS Interfaces” are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services (local exchange services) provided by CLECs to their end users.

“Qwest Corporation” and “Qwest” refer to Qwest Corporation and its successors and assigns.

B. Terms:

1. The Merged Company will not recover, or seek to recover through wholesale service rates or other fees paid by CLECs: a) one-time transition, branding, or any other transaction-related costs; b) any acquisition premium paid by CenturyLink for QCI; and c) any increases in overall management costs that result from the transaction, including those incurred by the operating companies. For purposes of this condition, “transaction-related costs” shall be construed to include all Merged Company costs related to or resulting from the transaction and any related transition, conversion, or migration costs and, for example, shall not be limited in time to costs incurred only through the Closing Date.
2. In the legacy Qwest ILEC service territory, the Merged Company shall comply with all wholesale performance requirements and associated remedy or penalty regimes for all wholesale services, including those set forth in regulations, tariffs, interconnection agreements, and Commercial agreements applicable to legacy Qwest as of the Merger Closing Date. In the legacy Qwest service territory, the Merged Company shall continue to provide to CLECs at least the reports of wholesale performance metrics that legacy Qwest made available, or was required to make available, to CLECs as of the Merger Closing Date,

¹ See *Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc., d/b/a/ CenturyLink for Consent to Transfer of Control, Pleading Cycle Established*, Public Notice, DA 10-993, WC Dkt. No. 10-110 (rel. May 28, 2010) (“Public Notice”) and related applications filed in state proceedings.

or as subsequently modified or eliminated as permitted under this Agreement or pursuant to any changes in law. The Merged Company shall also provide these reports to state commission staff or the FCC, when requested. The state commission and/or the FCC may determine that additional remedies are required, to the extent a state commission or FCC finds it is consistent with its jurisdiction. The Merged Company does not waive its right to oppose such a request.

a. The Parties will not seek to reduce or modify the Qwest Performance Indicator Definition (PID) or Qwest Performance Assurance Plan (QPAP)² that is offered, or provided via contract or Commission approved plan, as of the Merger Closing Date for at least eighteen months after the Closing Date.³ After the eighteen month period, the Parties may seek modifications under the terms and conditions outlined in the QPAP. The Merged Company will not seek to eliminate or withdraw the QPAP for at least three years after the Closing Date. The QPAP will be available to all requesting CLECs unless the Merged Company obtains approval from the applicable state commission to eliminate or withdraw it.

i. For at least three years after the Closing Date, and consistent with the FCC's required conditions of the Embarq-CenturyTel merger, in the legacy Qwest ILEC service territory, the Merged Company shall meet or exceed the average wholesale performance provided by Qwest to CLEC, measured as follows:

- (a.) For the first three months after Closing Date, Qwest's performance will be compared to Qwest's performance for the twelve months prior to Closing Date.
- (b.) Thereafter, each successive month of Qwest's performance will be added to the three month period in (a.) in determining Qwest's performance until twelve months after Closing Date.
- (c.) Beginning one year after Closing Date, Qwest's performance will be measured by a rolling twelve month average performance.

b. If the Merged Company fails to provide wholesale performance levels as measured by the methodology described in this condition, the Merged Company must

² In Colorado, the QPAP is known as the CPAP. In Minnesota, the QPAP is known as the MPAP. These state-specific terms will be used in agreements filed in Colorado and Minnesota.

³ The limitations of paragraph 2.a.do not apply to implementation of any decision arising from Colorado Docket No. 02M-259T. In addition, the parties agree not to initiate any further action in North Dakota Docket No. PU-08-04, until at least eighteen months after the Closing Date, however the Parties may implement any decision arising from that docket. Qwest will implement Idaho Order No. 32106 in Case No. QWE-T-08-04. The Parties agree, however, that they will jointly request that the Idaho Commission take no further action in that docket until at least eighteen months after the Closing Date.

conduct a root cause analysis for the discrepancies and develop proposals to remedy each deficiency within thirty days and provide this to CLEC for review and comment.

i. CLEC may invoke the root cause procedure for deterioration in wholesale performance for any PID, product, or disaggregation included within a PID measure if CLEC determines that the performance it received for that PID, product, or disaggregation is materially different and provides the basis for CLEC's determination.

ii. If performance deficiencies are not resolved, CLEC may request a resolution or wholesale service quality proceeding before the state commission. The Merged Company does not waive its right to oppose such a request.

3. Notwithstanding any provision allowing one or both parties to Qwest interconnection agreements, Commercial agreements, Wholesale agreements, interstate tariffs, and intrastate tariffs, and other wholesale agreements between Qwest Corporation or its successors and assigns and CLEC ("Extended Agreements") to terminate the Extended Agreement upon or after expiration of the term of the agreement, the Merged Company shall not terminate or grandparent, change the terms or conditions, or increase the rates of any Extended Agreements during the unexpired term or for at least the Applicable Time Period identified below, whichever occurs later (the "Extended Time Period"), unless required by a change of law, or CLEC requests or agrees in writing to a change and any applicable procedure to effectuate that change is followed. In the event that the Extended Agreement expressly allows termination of the agreement in other circumstances, such as default due to non-payment, this Condition does not preclude termination of an Extended Agreement in those circumstances provided that the Merged Company follows both (1) the Extended Agreement's express provisions, and (2) any applicable procedures pertaining to such termination. Upon approval of the Transaction with this Agreement in the public record, the Parties will consider these terms to be part of the order of approval and thus not trigger or require the filing of an ICA amendment, unless directed otherwise by the commissions or FCC. To the extent an amendment is requested, the Parties agree to execute and file an amendment to the ICA within 30 days of the Closing Date, the terms of which will mirror the language in this Agreement, unless mutually agreed otherwise.

a. Interconnection Agreements. The Applicable Time Period for Qwest's interconnection agreements (ICAs) is at least thirty-six months after the Closing Date.⁴ The Extended Time Period applies whether or not the initial or current term has expired or is in evergreen status.

⁴ Notwithstanding anything that may be to the contrary in paragraphs 3,3a, and 4, in Colorado where a cost docket is nearing completion but may not be final as of the Closing Date, the rates established in Colorado cost docket

i. The Merged Company shall allow CLEC to use its pre-existing interconnection agreement as the basis for negotiating an initial successor replacement interconnection agreement to the extended ICA. Where the parties agree it is reasonable to do so, the parties may incorporate the amendments to the existing agreement into the body of the agreement used as the basis for such negotiations of the initial successor replacement interconnection agreement.

ii. CLEC may opt-in to an interconnection agreement in its initial term or the extended term.

iii. If Qwest and CLEC are in negotiations for a replacement interconnection agreement before the Closing Date, the Merged Company will allow CLEC to continue to use the negotiations draft upon which negotiations prior to the Closing Date have been conducted as the basis for negotiating a replacement interconnection agreement. In the latter situation (ongoing negotiations), after the Closing Date, the Merged Company will not substitute a negotiations template interconnection agreement proposal of any legacy CenturyLink operating company for the negotiations proposals made before the Closing Date by legacy Qwest.

b. Commercial Agreements. The Applicable Time Period for Commercial agreements is at least eighteen months after the Closing Date for Qwest's Commercial agreements (i.e., offerings made available after a UNE(s) becomes unavailable via ICA): Broadband for Resale, Commercial Broadband Services (QCBS), Commercial Dark Fiber, High Speed Commercial Internet Service (HSIS), Local Services Platform (QLSP), Internetwork Calling Name (ICNAM), and Commercial Line Sharing, as well as any other Commercial agreement to which Qwest and CLEC were parties as of the Closing Date. Notwithstanding any provision to the contrary in this Agreement:

i. After the eighteen month period, Qwest reserves the right to modify rates.

ii. If a Commercial agreement later becomes unavailable on a going forward basis, the agreement will remain available to CLEC on a grandparented basis to serve CLEC's embedded base of customers already being served via services purchased under that Commercial agreement, subject to Qwest's right to modify

number 07A-211T will replace the corresponding rates in Qwest-CLEC Colorado ICAs as of the Closing Date for purposes of this paragraph 3; nor does the paragraph prevent implementation of the rates contemplated in paragraph 14.

rates, for at least eighteen months after Qwest has notified CLEC that the agreement is no longer available.

- c. Wholesale Agreements. The Applicable Time Period for Wholesale agreements is at least eighteen months after the Closing Date for Qwest's Wholesale agreements (*i.e.*, offerings made available after a tariffed offering becomes unavailable via tariff): Wholesale Data Services Agreement (ATM, Frame Relay, GeoMax, HDTV-Net, Metro Optical Ethernet, Self-Healing Network, Synchronous Service Transport), as well as any other Wholesale agreement to which Qwest and CLEC were parties as of the Closing Date. Notwithstanding any provisions to the contrary in this Agreement:

i. After the eighteen month period, Qwest reserves the right to modify rates.

ii. If a Wholesale agreement later becomes unavailable on a going forward basis, the agreement will remain available to CLEC on a grandparented basis to serve CLEC's embedded base of customers already being served via services purchased under that Wholesale agreement for at least eighteen months after Qwest has notified CLEC that the agreement is no longer available, subject to Qwest's right to modify rates.

- d. Tariffs. The Applicable Time Period is at least twelve months after the Closing Date for Qwest wholesale tariff offerings that CLEC ordered from Qwest via tariff as of the Closing Date. Notwithstanding any provision to the contrary in this Agreement, Qwest may engage in Competitive Response pricing as set forth in its tariffs.

i. Regarding term and volume discount plans, such plans offered by Qwest as of the Closing Date will be extended by twelve months beyond the expiration of the then existing term, unless CLEC indicates it opts out of this one-year extension.

ii. The Merged Company will honor any existing contracts for services on an individualized term pricing plan arrangement for the duration of the contracted term.

4. Rates Generally. The Merged Company, in paragraph 3, agrees not to increase the rates in Qwest interconnection agreements during the Extended Time Period⁵. If, during the

⁵ Notwithstanding anything that may be to the contrary in paragraphs 3, 3a, or 4, in Colorado where a cost docket is nearing completion but may not be final as of the Closing Date, the rates established in Colorado cost docket number 07A-211T will replace the corresponding rates in Qwest-CLEC Colorado ICAs as of the Closing Date for purposes of this paragraph; nor does the paragraph prevent implementation of the rates contemplated in paragraph 14.

Extended Time Period, the Merged Company offers a Section 251 product or service that is not offered under an interconnection agreement (a "new" product or service), the Merged Company may establish a rate using normal procedures. A product, service, or functionality is not "new" for purposes of this paragraph if Qwest was already providing that product, service, or functionality at existing rates as of the Closing Date in the legacy Qwest ILEC serving territory.

- a. Regarding rates changed via a state commission cost docket, the Merged Company may initiate a cost docket (or seek rate increases in a cost docket initiated by another party) before the expiration of the thirty-six month period for extension of ICA terms only if (i) the rate elements, charges or functionalities are not already provided under rates as of the Closing Date as described in paragraph 4; or (ii) the cost docket is not initiated until at least eighteen months after the Closing Date and any rates approved in the cost docket will not become effective until after expiration of the thirty-six month period for extension of ICA terms.
 - b. After the Closing Date, in the legacy Qwest ILEC serving territory, the Merged Company shall not assess any fees, charges, surcharges or other assessments upon CLECs for activities that arise during the subscriber acquisition and migration process other than any fees, charges, surcharges or other assessments that were approved by the applicable commission and charged by Qwest in the legacy Qwest ILEC service territory before the Closing Date, unless Qwest first receives Commission approval. This condition prohibits the Merged Company from charging such fees, charges, surcharges or other assessments, including:
 - i. Service order charges assessed upon CLECs submitting local service requests ("LSRs") for number porting;
 - ii. Access or "use" fees or charges assessed upon CLECs that connect a competitor's own self-provisioned loop, or last mile facility, to the customer side of the Merged Company's network interface device ("NID") enclosure or box; and
 - iii. "Storage" or other related fees, rents or service order charges assessed upon a CLECs' subscriber directory listings information submitted to the Merged Company for publication in a directory listing or inclusion in a directory assistance database.
5. In the legacy Qwest ILEC service territory, to the extent that an interconnection agreement is silent as to an interval for the provision of a product, service or functionality or refers to

Qwest's website or Service Interval Guide (SIG), the applicable interval, after the Closing Date, shall be no longer than the interval in Qwest's SIG as of the Closing Date. Either Party may request an amendment to the interconnection agreement to lengthen an interval after the thirty-six month period for extension of ICA terms.

6. CenturyLink and all of its incumbent local exchange carrier ("ILEC") affiliates will comply with 47 U.S.C. Sections 251 and 252. In the legacy Qwest ILEC service territory, the Merged Company will not seek to avoid any of its obligations on the grounds that Qwest Corporation is exempt from any of the obligations pursuant to Section 251(f)(1) or Section 251(f)(2) of the Communications Act.
7. In the legacy Qwest ILEC service territory, after the Closing Date, Qwest Corporation shall be classified as a Bell Operating Company ("BOC"), pursuant to Section 3(4)(A)-(B) of the Communications Act and shall be subject to all requirements applicable to BOCs, including Sections 271 and 272.
8. Qwest will not seek to reclassify as "non-impaired" any Qwest wire centers for purposes of Section 251 of the Communications Act, nor will the Merged Company file any new petition under Section 10 of the Communications Act seeking forbearance from any Section 251 or 271 obligation or dominant carrier regulation in any Qwest wire center before June 1, 2012.
9. The Merged Company shall provide to wholesale carriers, and maintain and make available to wholesale carriers on a going-forward basis, up-to-date escalation information, contact lists, and account manager information and will provide this information, when possible, thirty days prior to the Closing Date. If not possible, the Merged Company will provide the information within five business days, absent exigent circumstances. For changes to support center location, the Merged Company will provide at least thirty days advance written notice to wholesale carriers. For other changes, the Merged Company will provide reasonable notice, as circumstances permit, of the changes and will keep pertinent information timely updated. The information and notice provided shall be consistent with the terms of applicable interconnection agreements.
10. The Merged Company will make available to each wholesale carrier in the legacy Qwest ILEC service territory the types and level of data, information, and assistance that Qwest made available as of the Closing Date concerning Qwest's wholesale Operational Support Systems functions and wholesale business practices and procedures, including information provided via the wholesale web site (which Qwest sometimes refers to as its Product Catalog or "PCAT"), notices, industry letters, the change management process, and databases/tools (loop qualification tools, loop make-up tool, raw loop data tool, ICONN database, etc.).

11. The Merged Company shall ensure that Wholesale and CLEC operations are sufficiently staffed and supported, relative to wholesale order volumes, by personnel, including IT personnel, adequately trained on the Qwest and CenturyLink systems and processes. With respect to the Wholesale and CLEC operations, such personnel shall be dedicated exclusively to wholesale operations so as to provide a level of service that is not materially less than that which was provided by Qwest prior to the Merger Closing Date and to ensure that CLEC protected information is not used by the Merged Company's retail operations or marketing purposes. The Merged Company will employ people who are dedicated to the task of meeting the needs of CLECs and other wholesale customers.
12. In legacy Qwest ILEC service territory, after the Closing Date, the Merged Company will use and offer to wholesale customers the legacy Qwest Operational Support Systems (OSS) for at least two years, or until July 1, 2013, whichever is later, and thereafter provide a level of wholesale service quality that is not materially less than that provided by Qwest prior to the Closing date, including support, data, functionality, performance, electronic flow through, and electronic bonding. After the period noted above, the Merged Company will not replace or integrate Qwest systems without first establishing a detailed transition plan and complying with the following procedures:
 - a. *Detailed Plan.* The Merged Company will provide notice to the Wireline Competition Bureau of the FCC, the state commission of any affected state and parties to this agreement at least 270 days before replacing or integrating Qwest OSS system(s). Upon request, the Merged Company will describe the system to be replaced or integrated, the surviving system, and steps to be taken to ensure data integrity is maintained. The Merged Company's plan will also identify planned contingency actions in the event that the Merged Company encounters any significant problems with the planned transition. The plan submitted by the Merged Company will be prepared by information technology professionals with substantial experience and knowledge regarding legacy CenturyLink and legacy Qwest systems processes and requirements. CLEC will have the opportunity to comment on the Merged Company's plan in a forum in which it is filed, if the regulatory body allows comments, as well as in the Qwest Change Management Process.
 - b. *CMP.* The Merged Company will follow the procedures in the Qwest Change Management Process ("CMP") Document.⁶

⁶ The Qwest CMP Document is available at <http://www.qwest.com/wholesale/cmp/>

c. Replacement or Retirement of a Qwest OSS Interface.

i. The replacement or retirement of a Qwest OSS Interface may not occur without sufficient acceptance of the replacement interface by CLECs to help assure that the replacement interface provides the level of wholesale service quality provided by Qwest prior to the Closing Date (as described in paragraph 12 above). Each party participating in testing will commit adequate resources to complete the acceptance testing within the applicable time period. The Parties will work together to develop acceptance criteria. Testing will continue until the acceptance criteria are met. Sufficient acceptance of a replacement for a Qwest OSS Interface will be determined by a majority vote, no vote to be unreasonably withheld, of the CMP participants (Qwest and CLECs) in testing, subject to any party invoking the CMP's Dispute Resolution process. The requirements of this paragraph will remain in place only until completion of merger-related OSS integration and migration activity. If a dispute arises as to whether such merger-related OSS integration and migration activity is complete, the state commission will determine the completion date.

ii. The Merged Company will allow coordinated testing with CLECs, including a stable testing environment that mirrors production, jointly established test cases, and, when applicable, controlled production testing, unless otherwise agreed to by the Parties. Testing described in this paragraph associated with merger-related system replacement or integration will be allowed for the time periods in the CMP Document, or for 120 days, whichever is longer, unless otherwise mutually agreed to by the Parties.

iii. The Merged Company will provide the wholesale carriers training and education on any wholesale OSS implemented by the Merged Company without charge to the wholesale carrier.

d. Billing Systems. The Merged Company will not begin integration of Billing systems before the end of the minimum two year or July 1, 2013 period, whichever is longer, noted above, or without following the above procedures, unless the integration will not impact data, connectivity and system functions that support or affect CLECs and their customers. .

i. Any changes by the Merged Company to the legacy Qwest non-retail OSS will meet all applicable ICA provisions related to billing and, to the extent not included in an ICA, will be Ordering and Billing Forum (OBF) compliant.

13. After the Closing Date, the Merged Company will engineer and maintain its network in compliance with federal and state law, as well as the terms of applicable interconnection agreements.
 - a. The Merged Company shall not engineer the transmission capabilities of its network in a manner, or engage in any policy, practice, or procedure, that disrupts or degrades access to the local loop, as provided by 47 C.F.R. § 51.319(a)(8).
 - b. The Merged Company will retire copper in compliance with federal and state law, as well as the terms of applicable interconnection agreements and as required by a change of law.
14. No later than 30 days after the Closing Date, the Parties agree to amend its existing Qwest-CLEC interconnection agreements by executing the line conditioning amendment contained in Attachment A to this Agreement and by filing the amendment with the applicable state commissions. The terms of the amendment will be included in the ICAs between the Parties for the Extended Time Period contemplated in paragraph 3, unless required by a change in law. Notwithstanding anything to the contrary in this Agreement, the Parties agree to implement the rates, terms and conditions of the amendment upon execution and applicable commission approval of the amendment. The Parties agree to execute and file the amendment within 10 days of execution of this Agreement for Qwest-CLEC Minnesota ICAs and further agree to implement the terms of the amendment no later than January 15, 2011 in Minnesota. Upon execution of this Agreement, CLEC agrees that this amendment satisfies its concerns on line conditioning expressed in Minnesota Docket No. P-421/CI-09-1066 and that it will seek no further relief on this issue in that docket. Nothing in this Agreement precludes Qwest and CLEC from filing the Amendment for commission approval in any other state before the Closing Date, if Qwest and CLEC mutually agree to do so.
15. After fully executed, filed with and, where necessary, approved by a Commission, this Agreement will be made available to any requesting carrier. Additionally, if an order approving this transaction includes any condition not contained in this Agreement or includes provisions inconsistent with those contained in this Agreement, the Merged Company will make that condition or provision available to other carriers in that state upon request, to the extent applicable.

C. Process for Treatment of Agreement:

The Parties agree that this Agreement resolves all contested issues, objections, proposed conditions and other advocacy related specifically to this Transaction as between them. Integra agrees that this Agreement, without modification or addition, is in the public interest.

Consequently, from its perspective, Integra believes that the Transaction is in the public interest and should be approved by the FCC and state commissions. The Parties acknowledge that this Agreement is not confidential and further agree to the issuance of a joint press release announcing that an Agreement has been reached and that, in consideration of this Agreement, approval of the Transaction is in the public interest from Integra's perspective. The Parties further agree to immediately notify the FCC and the state commissions upon execution that this Agreement has been reached and will provide a courtesy copy of this Agreement. This Agreement shall be filed with the state commissions in the states of Arizona, Colorado, Minnesota, Montana, Oregon, Utah and Washington⁷ and any other states where required, within five business days of execution. Integra further commits that, upon request of CenturyLink and QCI, that within 10 days of execution, a representative of Integra with knowledge of this Agreement will accompany CenturyLink and QCI to meetings at the FCC or with members of Congress or their staff to explain that this Agreement, without modification or addition, is in the public interest from Integra's perspective and the Transaction should be approved.

Where testimony filed by one or both of the Integra witnesses has not yet been admitted into evidence and the procedural schedule and rules of a regulatory body permit, Integra will seek leave to withdraw or not submit into the evidentiary record the prefiled testimony of the Integra witnesses in that state, subject to Integra's right to file or re-file testimony as provided in this Agreement. Integra agrees it will represent that this Agreement adequately addresses its concerns and proposed conditions contained in its pre-filed testimony and will represent that, from its perspective, with this Agreement, the Transaction is in the public interest and should be approved. Furthermore, if required by a regulatory body or requested by CenturyLink, Integra will provide a witness to support this Agreement and will testify that with this Agreement, without modification, approval of the Transaction as in the public interest from its perspective. To the extent required by a regulatory body, Integra also agrees to provide such other information in support of this Agreement and approval of the Transaction. No Party to this Agreement will engage in any advocacy (directly or indirectly) contrary to this Agreement. Integra will not advocate for any other party's proposed wholesale conditions or opposition to the Transaction before any regulatory body, or otherwise, except as provided for in this Agreement regarding modification, rejection, or enforcement of this Agreement. Integra will no longer retain QSI Consultants, or any other consultant, as consultants or witnesses in a proceeding reviewing the Transaction after the date this Agreement is executed and filed in that proceeding, unless this Agreement is modified over Integra's objection or rejected. To the extent the consultants, witnesses, and outside counsel represent other intervenors before the FCC and the state commissions, Integra will inform them, as well as the FCC and those state commissions, that they are no longer representing Integra, nor advocating for Integra's positions, unless otherwise retained, at Integra's option, consistent with Integra's obligation under this Agreement.

⁷ To the extent necessary to comply with a given state filing convention, the Parties agree to work cooperatively to present this Agreement in the appropriate format, without change in content.

In the event any portion of this Agreement is rejected or altered by a state regulatory body, Integra may submit or re-submit its pre-filed testimony in that jurisdiction. In the event this Agreement is modified or rejected, each Party reserves its right, upon written notice to the Commission and the parties within five (5) business days of the Commission's Order modifying or rejecting this Agreement, to withdraw from this Agreement as to that particular state, with the effect of respectfully requesting the Commission decide all contested issues based on the record, including any testimony that had been withdrawn or not filed due to the execution of this Agreement.

D. Entire Agreement:

This Agreement constitutes the Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understandings or agreements on such matters that previously existed or occurred in any proceeding related to this Transaction, and no such prior understanding or agreement or related representations shall be relied upon by the Parties.

E. Agreement As Precedent:

The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty and delay. Nothing in this Agreement (or any testimony, presentation or briefing in any proceeding to approve the Transaction) shall be asserted or deemed to mean that a Party agreed with or adopted another Party's legal or factual assertions related to this Transaction. The limitations in this paragraph shall not apply to any proceeding to enforce the terms of this Agreement or any commission order adopting this Agreement in full, as appropriate.

Furthermore, because this Agreement represents a compromise position of the Parties no Party may use this Agreement as precedent on the appropriateness of the positions of that other Party or of other intervenors in any other proceeding and no conduct, statements or documents disclosed in the negotiation of this Agreement (not including non-privileged, publicly available documents) shall be admissible as evidence in any other proceeding.

F. Effective Date:

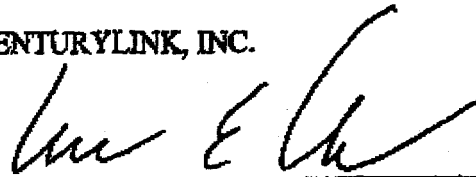
This Agreement is effective upon execution, however, the Settlement Terms contained in Section B shall not become effective unless and until the Transaction closes. If the Transaction does not close, this Agreement and Settlement Terms are null and void.

G. Manner of Execution:

This Agreement is considered executed when all Parties sign this Agreement. A designated and authorized representative may sign this Agreement on a Party's behalf. The Parties may execute this Agreement in counterparts. If this Agreement is executed in counterparts, all counterparts shall constitute one agreement. A faxed or scanned and emailed signature page containing the signature of a Party is acceptable as an original signature page signed by that Party. Each Party shall indicate the date of its signature on this Agreement.

Dated this 6th day of November 2011.

CENTURYLINK, INC.



By: William E. Check, President Wholesale Operations

Dated:

QWEST COMMUNICATIONS INTERNATIONAL, INC.

By: R. Steven Davis,
Senior Vice President—Public Policy & Government Relations

Dated:

INTEGRA TELECOM, INC.

By: James H. Huesgen, President

Dated:

G. Manner of Execution:

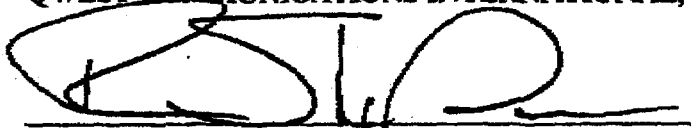
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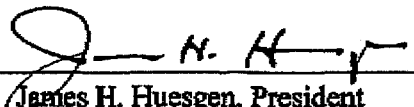
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Senior Vice President—Public Policy & Government Relations
Dated:

INTEGRA TELECOM, INC.



By: James H. Huesgen, President
Dated:

Attachment A to Settlement Agreement:

**Unbundled Loops Used to Provide xDSL Services Amendment
to the Interconnection Agreement between
Qwest Corporation and
[CLEC] for the State of [State]**

This is an Amendment ("Amendment") to the Interconnection Agreement between Qwest Corporation ("Qwest"), a Colorado corporation, and [insert CLEC name] ("CLEC"). Qwest and CLEC shall be referred to jointly as the "Parties."

RECITALS

WHEREAS, the Parties entered into an Interconnection Agreement ("Agreement") in the state of [insert state], which was approved by the Commission;

WHEREAS, the Parties agree to amend the Agreement further under the terms and conditions contained herein.

AGREEMENT

NOW THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

Amendment Terms

The Agreement is hereby amended by adding terms and conditions relating to xDSL Capable Loops, as set forth in Attachments 1-3 and Exhibit A to this Amendment, attached hereto and incorporated herein by this reference. The Parties agree the terms in this document are for the limited purposes of this Amendment. CLEC and Qwest reserve their rights to assert different language and/or term(s) in other contexts.

Qwest and CLEC agree that, in the new (replacement or successor) interconnection agreement between Qwest and CLEC, the language in Attachments 1-3 and Exhibit A will be added as closed (i.e., agreed upon) language to the interconnection agreement that is submitted in a compliance filing for Commission approval in [insert state]. Integra agrees to add the closed language reflected in Attachments 1-3 and Exhibit A to the Qwest-CLEC negotiations multi-state interconnection agreement negotiations draft.

Qwest will restore Asymmetric Digital Subscriber Line ("ADSL"), including the NC code of LXR-, which Qwest previously grandparented. Qwest will reverse changes made via its Change Request ("CR") (CR #PC121106-1). Qwest will not re-notify or implement the changes initially announced in its March 13, 2009 notice (PROS.03.13.09.F.06150.LoopQualCLECJobAid_V25) that Qwest did not implement (but indicated in its April 3, 2009 Response it will re-notify). Qwest will not take actions, or make statements in notices to CLECs, that are inconsistent with Qwest's obligation, under 47 C.F.R. § 51.319(a)(8), to not engineer the transmission capabilities of its network in a manner, or engage in any policy, practice, or procedure, that disrupts or degrades access to the local loop.

Intrabuilding cable is not addressed in this Amendment. CLEC and Qwest reserve their rights with respect to intrabuilding cable.

Effective Date and Implementation Date

This Amendment shall be deemed effective upon approval by the Commission; however, the Parties agree to begin implementation of the provisions of this Amendment upon execution.

Further Amendments

Except as modified herein, the provisions of the Agreement shall remain in full force and effect. Except as provided in the Agreement, this Amendment may not be further amended or altered, and no waiver of any provision thereof shall be effective, except by written instrument executed by an authorized representative of both Parties.

Entire Agreement

Other than the publicly filed Agreement and its Amendments, Qwest and CLEC have no agreement or understanding, written or oral, relating to the terms and conditions of Attachments 1-3 and Exhibit A in the State of ~~California~~.

The Parties intending to be legally bound have executed this Amendment as of the dates set forth below, in multiple counterparts, each of which is deemed an original, but all of which shall constitute one and the same instrument.

CLEC

Qwest Corporation

Signature

Signature

Name Printed/Typed

L. T. Christensen

Name Printed/Typed

Title

Director - Wholesale Contracts

Title

Date

Date

ATTACHMENT 1

NOTE: The numbering in this Attachment 1 (which may not be consecutive) is used as a convenience to the Parties and may not be related to the numbering of the remainder of the Agreement.

2.0 Interpretation and Construction

2.3 Unless otherwise specifically determined by the Commission, in cases of conflict between the Agreement and Qwest's Tariffs, PCAT, methods and procedures, technical publications, policies, product notifications or other Qwest documentation relating to Qwest's or CLEC's rights or obligations under this Agreement, then the rates, terms and conditions of this Agreement shall prevail. To the extent another document abridges or expands the rights or obligations of either Party under this Agreement, the rates, terms and conditions of this Agreement shall prevail.

4.0 Definitions

Defined terms used but not defined in this Amendment are as defined in the Agreement. To the extent that a term is defined in both the Agreement and Section 4.0 of this Amendment, the definition in the Agreement is deemed deleted, and that definition is replaced with the definition in this Section 4.0 of this Amendment, unless the definition below indicates otherwise.

For purposes of the Agreement and this Amendment, the following terms are defined as follows:

"ADSL Compatible Loop" means the unbundled Loop complies with technical parameters of the specified Network Channel/Network Channel Interface codes as specified in the relevant technical publications and industry standards for Asymmetric Digital Subscriber Line ("ADSL"), which is further described in the definition of Digital Subscriber Loop. Qwest makes no assumptions as to the capabilities of CLEC's Central Office equipment or the Customer Premises Equipment.

"Best Available Pair" means, for facilities assignment purposes, the Loop that has the least Estimated Measured Loss ("EML") and that is assigned taking into account the least amount of Conditioning, as described in Section 9.2.2.3.5.1.

"Bridged Tap" means the unused sections of a twisted pair subtending the Loop between the end user customer and the Serving Wire Center or extending beyond the end user customer. Regarding stub cable, see Section 9.2.2.3.5.2.5.1.1.1.

"Condition" or "Conditioning" has the meaning set forth in 47 C.F.R. §51.319 and as interpreted in the rules and orders of the Federal Communications Commission ("FCC"). Conditioning includes when Qwest dispatches personnel and removes at least load coils, low pass filters, range extenders, any single Bridged Tap(s) greater than 2000 feet, total Bridged Tap(s) greater than 2500 feet, any Near-End Bridged Tap(s), and any Far-End Bridged Tap(s) from a

copper unbundled Loop or Subloop. Different rates and terms apply to Remove All Conditioning, as that term is defined in this Amendment.

"Digital Subscriber Loop," "DSL," "xDSL," or "xDSL Service" refers to a set of service-enhancing copper technologies that are designed to provide digital services over copper Loops or Subloops either in addition to or instead of analog voice service including, but not limited to, the following types of xDSL Service, and successor or successive (e.g., HDSL, HDSL2, HDSL4) technologies:

"ADSL" or "Asymmetric Digital Subscriber Line" is a Passband digital Loop transmission technology that typically permits the transmission of up to 8 Mbps downstream (from the Central Office to the End User Customer) and up to 1 Mbps digital signal upstream (from the End User Customer to the Central Office) over one (1) copper pair.

"ADSL2" and ADSL2+" refer to technologies that extend the capability of ADSL in data rates up to 24 Mbit/s downstream and 3.5 Mbit/s upstream. ADSL2+ may achieve rates of 24 Mbps on telephone lines as long as 5,000 feet. ADSL2+ solutions will interoperate with ADSL and ADSL2, as well as with ADSL2+. ADSL2 is based on ITU standard G.992.3, and ADSL2+ is based on ITU standard G.992.5.

"HDSL" or "High-Data Rate Digital Subscriber Line" is a synchronous baseband DSL technology operating over one or more copper pairs. HDSL can offer 784 Kbps circuits over a single copper pair, T1 service over two (2) copper pairs, or future E1 service over three (3) copper pairs.

"HDSL2" or "High-Data Rate Digital Subscriber Line 2" is a synchronous baseband DSL technology operating over a single pair capable of transporting a bit rate of 1.544 Mbps.

HDSL4" or "High-Data Rate Digital Subscriber Line 4" is a synchronous baseband DSL technology operating over two copper pairs and is capable of transporting an aggregate bit rate of 1.544. This transport offers extended reach in comparison to HDSL2.

"ISDL" or "ISDN Digital Subscriber Line" or "Integrated Services Digital Network Digital Subscriber Line" is a symmetrical, baseband DSL technology that permits the bi-directional transmission of up to 128 Kbps using ISDN CPE but not circuit switching.

"RADSL" or "Rate Adaptive Digital Subscriber Line" is a form of ADSL that can automatically assess the condition of the Loop and optimize the line rate for a given line quality.

"SDSL" or "Symmetric Digital Subscriber Line" is a baseband DSL transmission technology that permits the bi-directional transmission from up to 160 kbps to 2.048 Mbps on a single pair.

"SHDSL" or "Single-Pair High Speed DSL" provides for sending and receiving high-speed symmetrical data streams over a single pair of copper wires. The SHDSL payload may be 'clear channel' (unstructured), T1 or E1 (full rate or fractional), multiple ISDN Basic Rate Access (BRA), Asynchronous Transfer Mode (ATM) cells, or Ethernet packets.

"G.SHDSL" or "Symmetric High Bit Rate DSL" features symmetrical data rates from 192 kbit/s to 2,304 kbit/s of payload in 64 kbit/s increments per pair. "E.SHDSL" or "Extended Single-Pair High Speed DSL" offers symmetrical data rates of up to 5,696 kbit/s in 64k increments per a pair. SHDSL is based on ITU standard G.991.2 with additional coverage of E.SHDSL in 802.3ah.

"VDSL" or "Very High Speed Digital Subscriber Line" is a baseband DSL transmission technology that permits the transmission of up to 52 Mbps downstream (from the Central Office to the End User Customer) and up to 2.3 Mbps digital signal upstream (from the End User Customer to the Central Office). VDSL can also be 26 Mbps symmetrical, or other combination.

"Embedded Base xDSL Capable Loop" refers to an xDSL Capable Loop (including ADSL Compatible Loop and Non-Loaded Loop) installed for CLEC before the Final Implementation Date of this Amendment.

"Estimated Measured Loss" or "EML" is an estimate based on a mathematical formula or algorithm and individual Loop make up. EML estimates how a requested Loop is likely to perform at the applicable specifications for a specified xDSL Service. EML is used to calculate insertion loss for various xDSL technologies based on Loop make up information in Qwest records. EML is described further in Section 9.2.2.3.5.1.

"Far-End" and/or "Near-End" Bridged Tap means Bridged Tap within 1,000 feet of the end user customer location or within 1,000 feet of the main distribution frame in the Central Office.

"LXR- xDSL Capable Loop" means an xDSL Capable Loop that is associated with the NC Code of "LXR-," including the codes identified with a Qwest LXR- NC code in Attachment 2 to this Amendment. LXR- xDSL Capable Loops include Loops with any of the NCI codes used in association with an LXR- NC code to identify the type of xDSL Service.

"Near-End" Bridged Tap – See Far-End and/or Near-End Bridged Tap

"Network Channel" or "NC" codes identify the technical details of channels provided by a Carrier, from the Point of Termination (POT) at another Carrier's Point of Presence (POP) to the central office.

"Network Channel Interface" or "NCI" codes identify interface elements such as physical conductors, protocol, impedance, protocol options, and transmission level points that reflect physical and electrical characteristics located at a POT at the switch or customer location. The NCI code communicates to Qwest the character of the signals CLEC is connecting to the network at each end-point of the metallic circuit. The NCI code tells Qwest of CLEC's specific technical requirements at a network interface. The NCI code indicates the type of xDSL Service to be deployed on the requested Loop or Subloop.

"Non-Embedded Base xDSL Capable Loop" refers to an xDSL Capable Loop (including ADSL Compatible Loop and Non-Loaded Loop) installed for CLEC on or after the Final Implementation Date of this Amendment.

"Performance Parameter Tests" means the threshold tests that Qwest will perform for Loops and Subloops used to provide xDSL Services, as set forth in Sections 9.2.2.3.5.3.1 and 9.2.2.3.5.4.2 of this Amendment.

"Remove All Conditioning" means Qwest dispatches personnel and removes all Bridged Taps, as well as any load coils, low pass filters, and range extenders, from a copper unbundled Loop or Subloop.

"xDSL Capable Loop" refers to 2-wire and 4-wire copper Loop(s) and copper Subloop(s) that transmit the digital signals needed to provide xDSL Service. Unbundled digital Loops may be provided using a variety of transmission technologies pursuant to the Agreement. For purposes of this Amendment, "xDSL Capable Loops" is used to refer specifically to Loops and Subloops used to provide narrowband or broadband services (or both) to customers served by copper Loops and Subloops (including those that are in active service and those that are deployed in the network as spares).

"xDSL Service" – See definition above for Digital Subscriber Loop.

9.0 Unbundled Network Elements

9.2.2.3.5 xDSL Capable Loops

9.2.2.3.5.1 Assignment of Facilities - xDSL Capable Loops. Qwest will assign facilities for xDSL Capable Loops using the criteria described in this Section.

9.2.2.3.5.1.1 Qwest will take into account the NC code and the NCI code when assigning facilities for xDSL Capable Loops.

9.2.2.3.5.1.2 For Loops 4,000 feet in length or longer, Qwest will assign the Best Available Pair using the criteria described in this Section.

9.2.2.3.5.1.2.1 Qwest will calculate Estimated Measured Loss ("EML") and assign Loops based on least EML. Qwest will calculate EML in each case using the following steps with respect to Conditioning assumptions:

9.2.2.3.5.1.2.1.1 First, Qwest will assume no Conditioning is needed. Second, if no qualifying Loop is otherwise available and CLEC pre-approved Conditioning, Qwest will re-calculate EML assuming Conditioning is needed. Finally, if no qualifying Loop is otherwise available and CLEC pre-approved Remove All Conditioning, Qwest will re-calculate EML assuming Remove All Conditioning is needed.

9.2.2.3.5.1.2.1.2 CLEC's pre-approval of Conditioning will not have any negative impacts on CLEC's service request. Qwest will still attempt to locate and assign facilities that do not require

Conditioning or, when Conditioning is needed, require the least amount of Conditioning.

9.2.2.3.5.1.2.2 In the case of each Loop assigned, Qwest will provide the EML used by Qwest to assign the Loop to CLEC on the Design Layout Record ("DLR").

9.2.2.3.5.1.2.3 For EML purposes, Qwest will measure insertion loss at 196 kHz (except ISDN BRI), as described in this Section. The maximum dB loss parameters used for EML purposes will vary by type of xDSL Service as follows:

9.2.2.3.5.1.2.3.1 For LXR- xDSL Capable Loops, including ADSL and ADSL2+:

EML \leq 81 dB (i.e., 78 dB +3db) at 196 kHz; maximum loss of 81 dB

9.2.2.3.5.1.2.3.2 For 2-wire LX-N xDSL Capable Loops, including HDSL2, G.SHDSL, and E.SHDSL - NCI codes of 02QB9.00H and 02QB5.00G:

EML \leq 31dB (i.e., 28 dB +3db) at 196 kHz; maximum loss of 31 dB

9.2.2.3.5.1.2.3.3 For 4-wire LX-N xDSL Capable Loops, including HDSL4 and G.SHDSL - NCI codes of 04QB9.00H, 04QB5.00G, and 04QB9.00F:

EML \leq 34dB (i.e., 31 dB +3db) at 196 kHz; maximum loss of 34 dB

9.2.2.3.5.1.2.3.4 For ISDN BRI, with NC/NCI codes of LX-N 02QC5.OOS:

EML \leq 40 dB at 40 kHz; maximum loss of 40 dB

9.2.2.3.5.1.2.3.5 For all other LX-N xDSL Capable Loops, including Spectrum Management Classes 1-9, Qwest will assign the Best Available Pair using EML measured at 196 kHz (without a maximum dB loss level), except as described in Section 9.2.2.3.5.1.5. A Loop that fails EML or Actual Measured Loss ("AML") for the xDSL Services identified in Sections 9.2.2.3.5.1.2.3.1-9.2.2.3.5.1.2.3.3 may meet EML and/or AML for the xDSL Services identified in this Section 9.2.2.3.5.1.2.3.5.

9.2.2.3.5.1.3 For Loops shorter than 4,000 feet, Qwest will assign facilities using the criteria described in this Section.

9.2.2.3.5.1.3.1 If the facilities available for assignment to the same location do not all have the same cable gauge, Qwest will assign the Best Available Pair pursuant to the criteria in Section 9.2.2.3.5.1.2.

9.2.2.3.5.1.3.2 If the facilities available for assignment all have the same

cable gauge, Qwest will assign any pair in the cross box and terminal, subject to Section 9.2.2.3.5.1.3.3.

9.2.2.3.5.1.3.3 If CLEC requests multiple Loops to the same location, all Loops will have the same Loop make-up, including Loop lengths.

9.2.2.3.5.1.3.3.1 If Loops having the same Loop make-up are not available for all of the multiple Loops to the same location, Qwest will assign as many of these Loops as possible with the same Loop make-up, including Loop lengths. For remaining Loops shorter than 4,000 feet, if any, Qwest will assign any pair in the cross box and terminal.

9.2.2.3.5.1.4 Loops and Subloops that require Conditioning, as well as Loops and Subloops that fail EML, fall out of the automatic facilities assignment process. Qwest will follow the manual steps for copper loop assignment, as applicable.

9.2.2.3.5.1.4.1.1 If, after the manual steps for copper loop assignment and Conditioning, no loop meets the criteria described above for facilities assignment, Qwest will validate that there is no such loop. Qwest will notify CLEC using the jeopardy notification process. CLEC may supplement its service request either to modify it or to cancel it. If CLEC does not supplement its service request, Qwest will cancel it consistent with the held order terms in the Agreement.

9.2.2.3.5.1.4.1.2 Regarding Subloops generally, to the extent that processes and procedures for Subloops are different from, or more manual than, the processes and procedures for Loops, the Parties will work together to develop mutually agreeable processes for Subloops.

9.2.2.3.5.1.5 For Non-Embedded Base xDSL Capable Loops, Qwest will not assign any Loop that exceeds a length of 18,000 feet for LXR- xDSL Capable Loops or 22,000 feet for LX-N xDSL Capable Loops. If, however, changes in technologies or industry standards occur that allow CLEC to reasonably use Loops in excess of one or both of these Loop lengths for providing advanced services, Qwest will assign xDSL Capable Loops in excess of the affected Loop length(s) consistent with those standards when requested by CLEC.

9.2.2.3.5.2 Conditioning - xDSL Capable Loops.

9.2.2.3.5.2.1 CLEC may indicate on its service request that it pre-approves Conditioning (Conditioning, and/or Remove All Conditioning) in the event Conditioning is necessary. Upon CLEC pre-approval or approval of Conditioning (except as provided in Section 9.2.2.3.5.2.3), and only if Conditioning is necessary, Qwest will dispatch personnel to Condition the Loop.

9.2.2.3.5.2.1.1 If CLEC pre-approves Remove All Conditioning and Qwest performs Remove All Conditioning, Qwest will bill only one charge

(the Remove All Conditioning charge) for Conditioning, even though CLEC may also have pre-approved Conditioning on its service request.

9.2.2.3.5.2.1.2 If CLEC has not pre-approved Conditioning, Qwest will obtain CLEC's consent prior to undertaking any Conditioning efforts, except in the scenario described in Section 9.2.2.3.5.2.3.

9.2.2.3.5.2.1.3 See Section 9.2.2.3.5.1.2.1.2 regarding pre-approval and facilities assignment.

9.2.2.3.5.2.2 Remove All Conditioning During Loop Delivery and Acceptance, When Requested by CLEC but Not Pre-Approved. (After service order completion, see Sections 9.2.2.3.5.2.4 and 9.2.2.3.5.4 regarding Repair.)

9.2.2.3.5.2.2.1 If CLEC does not indicate on its initial service request that it pre-approves Remove All Conditioning and then, during Loop delivery and acceptance (e.g., upon receiving test results), CLEC requests Remove All Conditioning, if the Qwest technician is still available (so that an additional dispatch is not required), Qwest will perform Remove All Conditioning, and CLEC will pay only the Remove All Conditioning charge for Conditioning.

9.2.2.3.5.2.2.1.1 Qwest will use the Provider Initiated Activity ("PIA") field on the Firm Order Confirmation ("FOC") to communicate changes Qwest made to the service order that are different from what CLEC requested on the service request (i.e., to indicate Remove All Conditioning).

9.2.2.3.5.2.2.1.2 No CLEC service request, supplement, or supplemental service request is required in this circumstance.

9.2.2.3.5.2.2.2 Alternatively (or if the terms of Section 9.2.2.3.5.2.2.1 are not met), if CLEC does not indicate on its initial service request that it pre-approves Conditioning or Remove All Conditioning and then, during Loop delivery and acceptance, CLEC desires such conditioning, CLEC may elect to supplement its service request to request the desired conditioning.

9.2.3.5.2.2.3 If CLEC pre-approves Conditioning but not Remove All Conditioning and Qwest performs Conditioning, Qwest may charge CLEC for both Conditioning and Remove All Conditioning if: (1) Qwest performs Conditioning, (2) the scenario described in Section 9.2.2.3.5.3.2 does not apply, and (3) CLEC later requires Qwest to perform another dispatch and perform Remove All Conditioning.

9.2.2.3.5.2.3 Remove All Conditioning During Loop Delivery and Acceptance, When Not Approved. (After service order completion, see Sections 9.2.2.3.5.2.4 and 9.2.2.3.5.4 regarding Repair). In the single scenario described in this Section, Qwest may perform and charge CLEC for Remove All Conditioning, even though CLEC has neither pre-approved nor approved Remove All Conditioning. In this scenario, Qwest will charge only one charge (the Remove

All Conditioning charge) for Conditioning.

9.2.2.3.5.2.3.1 The no approval for Remove All Conditioning situation may occur only after both (1) CLEC has pre-approved Conditioning (or, if it did not pre-approve it, CLEC has supplemented its service request to approve it after receiving a jeopardy or reject notice indicating Conditioning is required), and (2) Qwest has performed Conditioning, but such Conditioning does not bring the loop within the applicable dB level and therefore Remove All Conditioning is required to meet the applicable dB level.

9.2.2.3.5.2.3.2 If during Loop delivery and acceptance Qwest conducts the Performance Parameter Tests or other tests as described in Section 9.2.2.3.5.3.1 and, even though the applicable EML was achieved during facilities assignment, actual testing shows that the applicable dB level (as set forth in Section 9.2.2.3.5.4.3 and Attachment 3) cannot be achieved without Remove All Conditioning (*i.e.*, removal of Bridged Taps would bring the Loop within the applicable dB level), Qwest may perform and charge CLEC for Remove All Conditioning, even though CLEC has neither pre-approved nor approved Remove All Conditioning.

9.2.2.3.5.2.3.3 In the scenario described in Section 9.2.2.3.5.2.3.2, if CLEC has enrolled in Provider Test Access ("PTA"), within three (3) business days, Qwest will provide before and after test results in writing to CLEC which confirm that Remove All Conditioning was required to bring the Loop within the applicable dB level. Qwest will provide the before and after test results via PTA, so that CLEC may access them electronically. If Qwest fails to provide complete written before and after test results as described in this Section within three (3) business days, Qwest shall not charge CLEC for performing Remove All Conditioning.

9.2.2.3.5.2.4 Conditioning During Repair.

9.2.2.3.5.2.4.1 CLEC may request Conditioning or Remove All Conditioning when submitting a trouble report. No CLEC service request, supplement, or supplemental request is required. Qwest will apply the applicable charges for conditioning, using the rates in Exhibit A to this Amendment.

9.2.2.3.5.2.4.1.1 When Qwest performs Remove All Conditioning during Repair, Qwest will attempt to condition the Loop and clear the trouble within four (4) hours of receipt of the trouble report, except as provided in Section 9.2.2.3.5.2.5.1.2.1. When Qwest performs Remove All Conditioning during Repair, the 4-hour Repair commitment time described in Section 9.2.2.3.5.4.5 does not apply, however. In addition, CLEC's trouble report will be excluded from MR-5 (All Troubles Cleared Within 4 Hours) in the Performance Indicator Definitions (PIDs) in Exhibit B to the Agreement. Qwest will code Remove All Conditioning to an excluded code, which does not identify CLEC or CLEC's customer as the cause of the trouble.

9.2.2.3.5.2.4.2 Because Embedded Base xDSL Capable Loops, by definition, were installed before the Final Implementation Date of this Amendment, Conditioning will occur in the context of Repair for Embedded Base xDSL Capable Loops.

9.2.2.3.5.2.5 Exclusions. If an Exclusion pursuant to Section 9.2.2.3.5.2.5.1.1 applies, Qwest will notify CLEC of the Exclusion via jeopardy notice, reject notice, or Customer Electronic Maintenance and Repair (CEMR) (or successor system), as applicable, and CLEC may elect to request a different Loop. (If no compatible Loop is available, see Section 9.2.2.3.5.1.4.1.1.) If an Exclusion pursuant to Section 9.2.2.3.5.2.5.1.2 applies, Qwest may not reject the request and must perform Remove All Conditioning, but the charge may vary as described in Section 9.2.2.3.5.2.5.1.2.1. If a dispute arises as to whether an Exclusion applies, Qwest bears the burden of proof.

9.2.2.3.5.2.5.1 Notwithstanding anything that may be to the contrary in this Amendment, the following Exclusions apply to Conditioning, subject to Section 9.2.2.3.5.2.5.2.

9.2.2.3.5.2.5.1.1 Exclusions to Conditioning. Qwest is not required to remove the following Stub Cable or Bridged Taps, unless Qwest removes them for itself or its retail customers:

9.2.2.3.5.2.5.1.1.1 Stub Cable. Stub Cable is short lengths (not to exceed 50 feet) of cable that may have been placed in feeder or distribution plant for ease of future additions or changes. Cable or other plant identified as Bridged Tap in Qwest Loop make up records is not Stub Cable for purposes of this Amendment, unless Qwest promptly provides CLEC with mutually agreeable verifying documentation that demonstrates that the device is Stub Cable as described in this Section 9.2.2.3.5.2.5.1.1.1 and is not Bridged Tap (*i.e.*, the Loop make up records are inaccurate).

9.2.2.3.5.2.5.1.1.2 Bridged Tap in Inaccessible Plant – Buried. Inaccessible Plant – Buried means a Direct Buried Splice Enclosure that it is not technically feasible to access.

9.2.2.3.5.2.5.1.1.3 Bridged Tap in Inaccessible Plant – Safety. Inaccessible Plant – Safety means specific plant for which access has been restricted on safety grounds by a regulatory agency, such as the Occupational Safety and Health Administration ("OSHA"), or by a Commission or court order addressing the specific plant in issue. If Qwest has a permit to access the plant, with no safety restriction, the plant is not excluded as inaccessible. In the event of an emergency that does not fall within this description but poses safety dangers to personnel, Qwest and CLEC will

work together to resolve the issue on a case-by-case basis.

9.2.2.3.5.2.5.1.2 Exclusions to Performing Remove All Conditioning for the Remove All Conditioning rate set forth in Exhibit A. When the following circumstances exist, Qwest will perform Remove All Conditioning and charge for it as follows:

9.2.2.3.5.2.5.1.2.1 More Than Eight (8) Hours of Qwest Technician Time. If more than eight (8) hours of technician time is required to perform Remove All Conditioning, Qwest will provide CLEC with a description of work and not-to-exceed quotation for charges for Qwest technician time in excess of eight (8) hours in Qwest's response to CLEC's service request or trouble report. Qwest will provide the quotation as soon as reasonably possible but no later than within four (4) business days of receiving CLEC's service request or within one (1) business day of receiving CLEC's trouble report. To the extent that Qwest incurs fees for permits that are exclusive to CLEC's request for Remove All Conditioning and under which Qwest will perform no other activity, Qwest may include the amount of the permitting fee(s) in the quotation, provided Qwest also provides documentation of the permitting fee use and expense to CLEC. If CLEC accepts the quotation and Qwest performs Remove All Conditioning, Qwest may charge CLEC for the Remove All Conditioning rate described in Exhibit A to this Amendment, technician time in excess of eight (8) hours at the applicable half hourly rate in Exhibit A to the Agreement, and such documented permitting fees, if any.

9.2.2.3.5.2.5.2 The Exclusions in Section 9.2.2.3.5.2.5 are intended to be narrow exclusions that occur relatively rarely. The Parties have agreed to the negotiated terms in this Amendment, including the rates in Exhibit A, in part based on this assumption made by both Parties.

9.2.2.3.5.2.5.2.1 Regarding the Exclusions pursuant to Section 9.2.2.3.5.2.5.1.1, if after implementation of this Amendment this assumption is inconsistent with actual practice, the Parties reserve the right to request amendment of the Agreement, including changes to the rates, terms, and conditions of this Amendment.

9.2.2.3.5.2.5.2.2 Regarding the Exclusions pursuant to Section 9.2.2.3.5.2.5.1.2, the Parties agree to meet on an annual basis to review the instances of Remove All conditioning requiring more than Eight (8) hours of technician time to perform, that exceed the greater of 10 instances or ten percent (10%) of all Remove All conditioning performed on behalf of CLEC in a state, and will mutually determine if it is appropriate to make adjustments to the technician time cap, the level of instances requiring greater than

Eight (8) hours or the rate for Remove All Conditioning.

9.2.2.3.5.2.6 See Section 9.2.3.11 below regarding Conditioning Rate Elements.

9.2.2.3.5.3 Loop Delivery and Acceptance - xDSL Capable Loops. Although an estimate is used for facilities assignment purposes, Loop delivery and acceptance will be based upon actual testing.

9.2.2.3.5.3.1 Qwest will conduct the threshold tests set forth in Attachment 3 to this Amendment, at the levels described in Attachment 3 (Performance Parameter Tests) as needed to deliver a properly working Loop. If Qwest conducts other tests when performing such testing for itself or its retail customers, Qwest will also perform those tests for CLEC. When lack of access to CLEC's central office equipment precludes Qwest from performing the same tests that Qwest performs for itself or its retail customers, however, Qwest will perform comparable tests for CLEC.

9.2.2.3.5.3.1.1 Qwest will perform testing using an insertion loss measured at 196 kHz. The dB loss parameters used to test and validate Actual Measured Loss (AML) will vary by type of xDSL Service, as described in Section 9.2.2.3.5.4.3.1. Qwest will provision a Loop meeting at least the performance parameters specified in Attachment 3.

9.2.2.3.5.3.1.1.1 If upon testing the Loop does not meet the performance parameters specified in Attachment 3, Qwest will take action to bring the Loop within those parameters before Loop acceptance. If meeting the parameters requires Conditioning, see Section 9.2.2.3.5.2.

9.2.2.3.5.3.1.1.2 Failure to Meet AML Due to Incorrect Information in Qwest Records, Including Loop Make Up records.

9.2.2.3.5.3.1.1.2.1 Qwest will attempt to resolve any issues resulting from inaccuracies in Qwest's records (e.g., discrepancies between EML and AML) to ensure timely delivery of a Loop. (Qwest may, for example, correct its records and re-calculate EML based on correct information.) Regardless of any inaccuracies in the records, if AML is met (e.g., AML is below the applicable maximum dB level, as described in Section 9.2.2.3.5.4.3.1), the records discrepancy is not a basis for not delivering the Loop.

9.2.2.3.5.3.1.1.2.2 If failure to meet AML is both (1) caused by incorrect information in Qwest's records (e.g., Loop make up records), and (2) Qwest cannot resolve the discrepancy (such as an inaccurate indication of Loop length in Qwest records that cannot be resolved), then Qwest will notify CLEC of the discrepancy and the cause of the discrepancy (e.g., the actual Loop length is longer than

the maximum length allowable under AML) before Loop delivery.

9.2.2.3.5.3.1.1.2.2.1 Qwest will send a jeopardy notice to CLEC for the defective Loop, attempt to identify a compatible Loop and, if available, deliver a different Loop that meets the performance parameters. If no other compatible Loop is available after the manual steps for copper Loop assignment, Qwest will provide CLEC with a jeopardy notice for no available facilities.

9.2.2.3.5.3.1.1.2.3 Qwest will correct its records to indicate accurate information.

9.2.2.3.5.3.2 When Qwest completes testing, Qwest will provide CLEC with test results for all of the types of tests performed for each delivered xDSL Capable Loop, including each of the Performance Parameter Tests. This obligation to provide test results applies when CLEC orders xDSL Capable Loops via any Provisioning Option. When Qwest completes its tests, Qwest will provide the test results to CLEC before Loop acceptance in a mutually agreeable manner that allows CLEC either to view posted results electronically or to designate the personnel to receive the results by email, such as via Qwest's Provider Test Access ("PTA") or similar email system. When requested, Qwest will also provide the test results orally.

9.2.2.3.5.3.3 See Sections 9.2.2.3.5.2.2 and 9.2.2.3.5.2.3 regarding Conditioning during Loop delivery and acceptance.

9.2.2.3.5.4 Repair - xDSL Capable Loops. Repairs may occur shortly after service order completion or later (e.g., after a CLEC customer has been receiving service from CLEC for a longer period of time). The terms and conditions for Repair are the same for Embedded Base xDSL Capable Loops and Non-Embedded Base xDSL Capable Loops, except as described in Sections 9.2.2.3.5.4.6 and 9.2.2.3.5.4.7. Although an estimate is used for facilities assignment purposes, Repair will be based upon actual testing, including Actual Measured Loss ("AML").

9.2.2.3.5.4.1 Qwest will take into account the NC code and the NCI code when Repairing xDSL Capable Loops.

9.2.2.3.5.4.2 Qwest will conduct the Performance Parameter Tests set forth in Attachment 3 to this Amendment (which is not an exhaustive list) as needed to fully resolve the trouble. If Qwest conducts other tests for itself or its retail customers when performing such testing and Repairs, Qwest will also conduct those tests for CLEC. When lack of access to CLEC's central office equipment precludes Qwest from performing the same tests that Qwest performs for itself or its retail customers, however, Qwest will perform comparable tests for CLEC. Other testing may be needed to repair a Loop so that it performs consistent with industry standards for the type of xDSL Service deployed. If the trouble is not resolved, CLEC may escalate directly to its Qwest service manager, who will immediately escalate internally to ensure needed testing is identified and

conducted to resolve the trouble. Tests to be performed after escalation may include, for example, wideband noise and impulse noise, if not performed earlier as part of the testing outlined above. The Qwest Service Manager will track each escalation for purposes of Section 9.2.2.3.5.4.6.

9.2.2.3.5.4.3 Qwest will perform testing using an insertion loss measured at 196 kHz (except ISDN BRI), as described in Section 9.2.2.3.5.4.3.1. As indicated in Section 9.2.2.3.5.4.3.1, the AML must meet or fall below the maximum AML. In addition, except for ISDN BRI, with NC/NCI codes of LX-N 02QC5.OOS, the AML may be no more than five (5) dB greater than the EML calculated for the Loop.

9.2.2.3.5.4.3.1 The dB loss parameters used to test and validate Actual Measured Loss (AML) will vary as follows:

9.2.2.3.5.4.3.1.1 For LXR- xDSL Capable Loops, including ADSL and ADSL2+:

AML = up to 5 dB greater than EML at 196 kHz; maximum loss of 78 dB, if such limit is within test set capability.

9.2.2.3.5.4.3.1.2 For 2-wire LX-N xDSL Capable Loops, including HDSL2, G.SHDSL, and E.SHDSL - NCI codes of 02QB9.00H and 02QB5.00G:

AML = up to 5 dB greater than EML at 196 kHz; maximum loss of 28 dB

9.2.2.3.5.4.3.1.3 For 4-wire LX-N xDSL Capable Loops, including HDSL4 and G.SHDSL - NCI codes of 04QB9.00H, 04QB5.00G, and 04QB9.00F:

AML = up to 5 dB greater than EML at 196 kHz; maximum loss of 31 dB

9.2.2.3.5.4.3.1.4 For ISDN BRI, with NC/NCI codes of LX-N 02QC5.OOS:

AML \leq 40 dB at 40 kHz; maximum loss of 40 dB

9.2.2.3.5.4.3.1.5 For all other LX-N xDSL Capable Loops, including Spectrum Management Classes 1-9, Qwest will measure AML at 196 kHz (without a maximum dB loss level).

AML = up to 5 dB greater than EML at 196 kHz; no maximum dB loss

9.2.2.3.5.4.3.1.6 Regarding Embedded Base xDSL Capable Loops, see Section 9.2.2.3.5.4.6.1.1.

9.2.2.3.5.4.4 In the case of every Repair of an xDSL Capable Loop, when Qwest completes testing, Qwest will provide CLEC with test results for all of the types of tests performed for each repaired xDSL Capable Loop, including each of the Performance Parameter Tests performed. This obligation to provide test results for Repairs applies regardless of the Provisioning Option used by CLEC when ordering the xDSL Capable Loop. When the tests are performed, Qwest will

make the test results available through Customer Electronic Maintenance and Repair (CEMR) or successor system. CLEC may access the results electronically. When requested, Qwest will also provide the test results to CLEC orally.

9.2.2.3.5.4.4.1 If Qwest fails to provide complete test results as described in Section 9.2.2.3.5.4.4, Qwest shall not code the Repair to CLEC or CLEC's customer when assigning a disposition code. The trouble is considered in Qwest's network for disposition and billing purposes.

9.2.2.3.5.4.5 Qwest's Repair commitment time for xDSL Capable Loops is four (4) hours, except as provided in Section 9.2.2.3.5.2.4.1.1.

9.2.2.3.5.4.6 Qwest and CLEC will meet to review the root cause analysis as performed by Qwest of the troubles escalated pursuant to Section 9.2.2.3.5 and mutually determine if other tests are appropriate to add to Attachment 3 for a type of xDSL Service.

9.2.2.3.5.4.7 See Section 9.2.2.3.5.2.4 regarding Conditioning during Repair.

9.2.2.3.5.5 NC/NCI CODES – xDSL Capable Loops

9.2.2.3.5.5.1 For Embedded Base xDSL Capable Loops, there may be instances when the NC code and/or NCI code associated with the CLEC customer's xDSL Service [which has been working for the customer, irrespective of the NC/NCI code(s) associated with the customer's xDSL Service] is not the same as the NC code and/or NCI code the Parties will use after the Final Implementation Date. When the need for a Repair occurs or Spectrum Management issues arise (e.g., after a Qwest network maintenance and modernization activity), however, CLEC may desire a change in the NC/NCI code(s) to conform it to the NC/NCI code(s) reflected in this Amendment. Qwest may not decline to proceed with Conditioning or with accepting and working to resolve trouble reports on the grounds that the NC/NCI code(s) are different or need changing for Embedded Base xDSL Capable Loops.

9.2.2.3.5.5.1.1 For Embedded Base xDSL Capable Loops, when submitting a trouble report, CLEC may request that Qwest change the NC code and/or NCI code to the applicable NC code and/or NCI code, such as described in Attachment 2. No CLEC service request, supplement, or supplemental request is needed to change the NC/NCI code(s) before CLEC submits a trouble report or before Qwest performs the Repair. After submitting a trouble report, CLEC will promptly submit a service request to change the NC/NCI codes to the xDSL Service actually deployed on the Embedded Base xDSL Capable Loop. Qwest will implement the change to the NC code and/or NCI code in Qwest's records with no change to the circuit identifier. After processing of the service request, the circuit history in CEMR (or successor system) will reflect the change in NC/NCI code(s) to identify the new NC/NCI code(s). These NC/NCI code changes do not require project handling.

9.2.2.3.5.5.1.1 Regarding future changes to NC/NCI codes, see Section 9.2.2.3.5.5.3.1.

9.2.2.3.5.5.2 For Non-Embedded Base xDSL Capable Loops, the Parties agree to use the NC/NCI codes as described in Attachment 2 and Section 9.2.2.3.5.5.3. If, after a Non-Embedded Base xDSL Capable Loop is installed, CLEC desires a change in the NC/NCI code(s), CLEC will submit a service request to change the NC/NCI code(s) for Non-Embedded Base xDSL Capable Loops.

9.2.2.3.5.5.3 After the Final Implementation Date of this Amendment, CLEC will order xDSL Capable Loops using the applicable NC/NCI codes described in Attachment 2 to this Amendment.

9.2.2.3.5.5.3.1 Particularly as technologies and industry standards change over time, NCI/SECNCI codes may be added or revised and will be available to CLEC. If those NCI/SECNCI codes in any respect replace or modify the codes identified in Attachment 2, Loops installed before Qwest implementation of such new or revised NCI/SECNCI codes will continue with the existing NCI/SECNCI codes as though the code were the new code or, if CLEC desires a change to conform to a revised code, the terms described in Section 9.2.2.3.5.5.1 will apply to changes in NCI/SECNCI codes in these circumstances.

9.2.2.3.5.5.3.1.1 For example, at the time of execution of this Amendment, Qwest has not implemented the Telcordia NCI/NCI codes for HDSL2 (LX-N 02QB9.00E), so CLEC will order HDSL2 using the NC/NCI code identified in Attachment 2 (LX-N 02QB9.00H). If Qwest later implements the Telcordia NC/NCI codes for HDSL2 (LX-N 02QB9.00E), installed CLEC HDSL2 Loops at that time will continue to be treated as HDSL2 Loops (for all purposes, including Repair and Spectrum Management), even though Qwest begins using different NC/NCI codes for HDSL2. Installed CLEC HDSL2 customers will be the equivalent of Embedded Base xDSL Capable Loops at that point for this purpose. See Section 9.2.2.3.5.5.1. Qwest may not withhold services (e.g., Conditioning or trouble report submission) on the grounds that code(s) need changing (such as via CLEC service request, supplement or supplemental service request, or a project conversion) in this circumstance.

9.2.2.8 Loop Qualification/Make Up Information or Tool.

9.2.2.8.8 Qwest will provide CLEC with: (1) the formula(s)/algorithm(s) that Qwest uses for calculation of EML, and/or (2) a Loop Qualification tool that calculates insertion loss for xDSL Capable Loops, using the same formula(s)/algorithm(s) that Qwest uses for calculation of EML.

9.2.3 Unbundled Loop Rate Elements - xDSL Capable Loops

9.2.3.11 Rate Elements - Conditioning

9.2.3.11.1 The rates for the following rate elements for Conditioning of xDSL Capable Loops are set forth in Exhibit A of this Amendment.

9.2.3.11.1 Conditioning.

9.2.3.11.1.2 Remove All Conditioning.

9.2.3.11.2 The rates for the rate elements in Section 9.2.3.11.1 do not apply unless Qwest dispatches a technician (or other personnel) and performs the specified Conditioning. If, for example, Qwest's records indicate that Conditioning is required but in fact the records are *incorrect* and therefore none is performed, no Conditioning charge applies.

9.2.3.11.3 Each of the rates for the rate elements in Section 9.2.3.11.1 may be applied no more than one time per Loop per CLEC customer at any time before disconnection. If, for example, CLEC approves Conditioning, Qwest removes a Near-End Bridged Tap, and Qwest charges the Conditioning charge, Qwest may not charge the Conditioning charge again if later it is discovered that a single Bridged Tap greater than 2000 feet requires removal, because removal of a single Bridged Tap greater than 2000 feet is included in the one-time Conditioning charge. Qwest will track payment of Conditioning charges.

9.2.3.11.4 Conditioning is not a prerequisite to Remove All Conditioning. If CLEC pre-approves Remove All Conditioning or CLEC requests only Remove All Conditioning and Qwest performs Remove All Conditioning, only the Remove All Conditioning charge applies for Conditioning.

9.2.3.11.5 If, as part of Conditioning, Qwest removes all Bridged Taps on the Loop, only the applicable Conditioning charge applies for Conditioning. The fact that all Bridged Taps were removed is not a basis for charging the Remove All Conditioning charge in this situation because, although all of the Bridged Taps were removed, they were within the definition of Conditioning. For example, if the only Bridged Tap on a Loop is a Near-End Bridged Tap, removal of that Bridged Tap (which falls within the Conditioning definition) does not result in a Remove All Conditioning charge simply because the only (i.e., all) Bridged Tap on the Loop was removed.

9.2.3.11.6 The need to perform Conditioning is considered trouble in Qwest's network for purposes of disposition coding and billing, except as provided in Section 9.2.2.3.5.2.4.1.1. When Qwest charges CLEC the rate(s) in Exhibit A for Conditioning, Qwest may not also cause charges such as Maintenance of Service charges to apply by coding the need for Conditioning to CLEC or CLEC's customer.

9.2.6 Spectrum Management - xDSL Capable Loops

9.2.6.10 Advanced services Loop technology will be deployed, and spectrum and binder groups will be managed, in accordance with the Act and the Agreement.

9.2.6.11 See Section 9.2.2.3.5.5 regarding NC/NCI codes.

12.4 Maintenance and Repair - xDSL Capable Loops

12.4.1.6.3 When CLEC elects not to perform trouble isolation and CLEC requests Qwest to perform optional testing, Qwest will perform at least the Performance Parameter Tests described in Section 9.2.2.3.5.3.1 and Attachment 3 for xDSL Capable Loops as needed to isolate and fully resolve the trouble. If trouble is isolated to the Qwest network, Qwest will proceed to perform trouble isolation and work to resolve the trouble. At the time Qwest completes testing, Qwest will provide the test results to CLEC electronically. When CLEC does not submit the trouble report electronically, Qwest will contact CLEC by telephone to provide test results at the time Qwest completes testing. Qwest will charge CLEC the applicable optional testing charge.

12.4.1.6.4 Optional testing charges do not apply when CLEC performs trouble isolation. When CLEC submits a trouble report to Qwest with test results isolating trouble to the Qwest network, Qwest will not require CLEC to authorize optional testing charges and Qwest will not decline to proceed with Repair on the grounds that CLEC has not authorized optional testing. For xDSL Capable Loops, CLEC test results isolating trouble to Qwest's network may, for example, result from signal-to-noise ratio, Loop attenuation, margin, circuit resistance, or any of the tests identified in Attachment 3, and may include tests results such as those indicating bad splices, wet cable, opens, grounds, shorts, or Bridged Tap. When CLEC reports that CLEC has isolated trouble to the Qwest network, Qwest will proceed to perform trouble isolation and work to resolve the trouble.

12.4.3.5 Qwest Maintenance and Repair and routine test parameters and levels will be in compliance with Qwest's Technical Publications, which will be consistent with Telcordia's General Requirement Standards for Network Elements, Operations, Administration, Maintenance and Reliability and/or the applicable ANSI standard.

							Notes		
				Conditioning	Remove All Conditioning	Non-Conditioning	+	++	+++
9.0 Unbundled Network Elements (UNEs)									
9.2	Unbundled Loops								
	9.2.2	Nonloaded Loops							
		9.2.2.4	Cable Unloading / Bridge Tap Removal						
			9.2.2.4.1	Conditioning					
			9.2.2.4.2	Remove All Conditioning					
						\$250.00			+++
									++++
NOTES:									
<p>+++ Negotiated Rate</p> <p>++++ When the Commission approved rate is greater than \$250, the Commission approved rate will be used for Remove All Conditioning.</p>									

ATTACHMENT 2:
Qwest NC/NCI Code Combinations for LX-N and LXR- xDSL Capable Loops¹

NC Code	NCI Code		BRIEF DESCRIPTION
	Qwest CO-NI	Customer EU-NI	
ADVANCED DIGITAL TRANSPORT – SPECTUM MANAGEMENT COMPATIBLE			
LX-N	02QB5.001	02DU5.001	Spectrum Management Class 1
LX-N	02QB5.002	02DU5.002	Spectrum Management Class 2
LX-N	02QB5.003	02DU5.003	Spectrum Management Class 3
LX-N	04QB5.003	04DU5.003	Spectrum Management Class 3
LX-N	02QB5.004	02DU5.004	Spectrum Management Class 4
LX-N	02QB9.005	02DU9.005	Spectrum Management Class 5
LX-N	02QB9.006	02DU9.006	Spectrum Management Class 6
LX-N	02QB5.007	02DU5.007	Spectrum Management Class 7
LX-N	02QB5.008	02DU5.008	Spectrum Management Class 8
LX-N	02QB9.009	02DU9.009	Spectrum Management Class 9
LX-N	04QB5.00F	04DU5.00F	Spectrum Management HDSL4. Technology Specific. Transmission System
LX-N	02QB5.00G	02DU5.00G	Spectrum Management G. SHDSL, E.SHDSL Technology specific. Transmission System
LX-N	04QB5.00G	04DU5.00G	Spectrum Management G. SHDSL Technology Specific. Transmission System
LX-N	02QB5.00S	02DU5.00S	Spectrum Management 281QSDSL.

¹ References to a type of xDSL Service (e.g., ADSL, HDSL) are general and include successive xDSL Services (e.g., ADSL2+, HDSL2).

NC Code	NCI Code		BRIEF DESCRIPTION
	Qwest CO-NI	Customer EU-NI	
			Technology Specific Transmission System
LX-N	04QB5.00S	04DU5.00S	Spectrum Management 281QSDSL. Technology specific. Transmission System
DIGITAL SUBSCRIBER LINE BASIC RATE ISDN – DSL (ISDN BRI) COMPATIBLE			
LX-N	02QC5.00S	02IS5.N	Digital Subscriber Line with 2B1Q Signaling Format Compatible Loop
HIGH-BIT-RATE DIGITAL SUBSCRIBER LINE (HDSL) COMPATIBLE			
LX-N	02QB9.00H	02DU9.00H	HDSL and HDSL2 Compatible Loop, Metallic Facility
LX-N	04QB9.00H	04DU9.00H	HDSL and HDSL2 Compatible Loop, Metallic Facility
ASYMMETRIC DIGITAL SUBSCRIBER LINE (ADSL) COMPATIBLE			
LXR-	02QB9.00A.	02DU9.00A	Revised Resistance Design (RRD)n Non-Loaded Loop with ANSIT1.413 DMT Signaling Format
LXR-	02QB9.01A	02DU9.01A	RRD, Non-Loaded Loop with ANSIT1.413 DMT Signaling Format and one POTS Channel
LXR-	02QB9.00C	02DU9.00C	RRD, Non-Loaded Loop with CAP Signaling Format
LXR-	02QB9.01C	02DU9.01C	RRD, Non-Loaded Loop with CAP Signaling Format one POTS Channel
UNBUNDLED DISTRIBUTION LOOPS			
LX-N	02QE5.001	02DU5.001	Distribution Loop, without loading coils, Spectrum Management Class 1
LX-N	02QE5.002	02DU5.002	Distribution Loop, without loading coils, Spectrum Management Class 2
LX-N	02QE5.003	02DU5.003	Distribution Loop, without loading coils, Spectrum Management Class 3

NC Code	NCI Code		BRIEF DESCRIPTION
	Qwest CO-NI	Customer EU-NI	
LX-N	02QE5.004	02DU5.004	Distribution Loop, without loading coils, Spectrum Management Class 4
LX-N	02QE9.005	02DU9.005	Distribution Loop, without loading coils, Spectrum Management Class 5
LX-N	02QE9.006	02DU9.006	Distribution Loop, without loading coils, Spectrum Management Class 6
LX-N	02QE5.007	02DU5.007	Distribution Loop, without loading coils, Spectrum Management Class 7
LX-N	02QE5.008	02DU5.008	Distribution Loop, without loading coils, Spectrum Management Class 8
LX-N	02QE9.009	02DU9.009	Distribution Loop, without loading coils, Spectrum Management Class 9
LX-N	02QE9.005	02DUM.LS5	Distribution Loop, without loading coils, Spectrum Management Class 5 and one POTS Channel

**ATTACHMENT 3:
xDSL CAPABLE LOOP PERFORMANCE PARAMETER TESTS**

Note: As between Attachment 1 and Attachment 3, the terms of Attachment 1 control, should any discrepancy or apparent discrepancy be identified. See Attachment 1 regarding Conditioning.

Required Tests	Expected Field Measurement Results	Notes
Loop Length	Actual (Capacitive)	
Load Coils	None	
Opens	None	
Grounds	None	
Shorts	None	
Bridge Tap	<p>LX-N Maximum: Total Length <2500 ft Single Tap Length < 2000ft</p> <p>LXR- Maximum: Total Length <2500 ft Single Tap Length < 2000 ft No Near End /Far End BT(>1000 ft)</p> <p>Remove All Maximum: None</p>	See Exclusions
1004 Hz Loss	< -8.5dBm	
196 kHz Loss	<p>Actual Measured Loss (AML): Maximum AML = EML + 5 dB</p> <p>LX-N Maximum dB Loss: 2- wire (e.g., NCI codes of 02QB9.00H and 02QB5.00G) <28.dB</p> <p>4- wire (e.g, NCI codes of 04QB9.00H, 04QB5.00G, and 04QB9.00F) <31.dB</p> <p>LXR- Maximum dB Loss: LXR- <78.dB</p>	<78 dB if such limit is within test set capability
40 kHz Loss	ISDN BRI <40.dB	
Insulation Resistance	<p>Tip – Ground > 3.3 Meg Ohms Ring – Ground > 3.3 Meg Ohms Tip – Ring > 3.3 Meg Ohms</p>	

Foreign Voltage - DC	Tip - Ground < 8 VDC Ring - Ground < 8 VDC Tip - Ring < 8 VDC	
Foreign Voltage - AC	Tip - Ground <50VAC Ring to Ground <50VAC	
Noise (C - Message)	< 23 dBmC Far end 600 Ohm Termination	< 20 dBmC Acceptable, >20 < 30 dBmC Marginal, > 30 Unacceptable
Noise (C - Notch)	< 45 dB	1004 Hz, 0 dBm Transmit
Line Balance	< to 10%	The length of the Tip side of the line compared to the length of the Ring to 10% difference
Longitudinal Balance	965 Type Meter <= <= 50 dB @ 196khz Other Meters <= 40 dB @ 196khz	
Power Influence	<=90 dBmC	
D-Mark Tagged	Yes	

EXHIBIT

E



September 28, 2010

VIA Email: Michel.Nelson@360.net

Michel Singer Nelson
Associate General Counsel
370 Interlocken Blvd, Suite 600
Broomfield, CO 80021

Re: 360networks Intervention in CenturyLink/Qwest merger proceedings

Dear Michel:

This will confirm the understanding we reached regarding the status of interconnection agreements, as amended, between 360networks (USA) inc. (360networks) and Qwest Corporation, namely that Qwest Corporation¹ will honor all obligations under its existing interconnection agreements with 360networks. Qwest Corporation will not terminate or change the conditions of 360networks' interconnection agreements in any state, with the exception of changes of law, unless requested or agreed to by 360networks, or in the event of default or other triggering event expressly contemplated by the terms of the agreement, for a period of 36 months from the Closing Date of the CenturyLink/Qwest transaction for any agreement not expired as of the Closing Date and for any agreement that has been expired less than 3 years as of the Closing Date. In addition, where 360networks and Qwest Corporation are in negotiations for the initial successor agreement to an agreement covered above, 360networks may, at its option, use its currently existing agreement as the basis for negotiating the initial successor agreement with Qwest Corporation. Unless mutually agreed otherwise, 360networks and Qwest Corporation agree to incorporate the amendments to the existing agreement into the body of the agreement used as the basis for such negotiations of the initial successor agreement. The parties will work cooperatively to complete any necessary ICA amendments or filings to effectuate these terms, where needed. This agreement is null and void if the pending merger between CenturyLink and Qwest does not close.

Nothing in this agreement shall preclude 360networks from obtaining the benefits of additional FCC conditions not addressed in this agreement.

In exchange for this agreement, 360networks will immediately take all necessary steps to withdraw from or cease participation (directly or indirectly) in all pending CenturyLink/Qwest merger review dockets before the state regulatory commissions and the FCC, except to the extent

¹ Throughout, Qwest Corporation includes any successor entity operating in current Qwest territories.




participation is required to gain approval of this agreement, where required. Where permitted, this includes the withdrawal of interventions, pre-filed testimony, and any pending discovery. The parties also acknowledge that this agreement is not confidential and may need to be filed, or otherwise disclosed to state regulatory commissions or other parties in response to discovery requests or by commission rule or order. To the extent necessary to comply with the dictates of a given state filing convention, the parties agree to work cooperatively to convert or present this agreement in another format (e.g. in Motion format), as needed, so long as the substance of the agreement does not change.

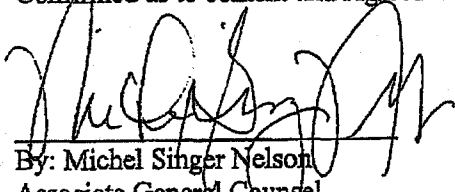
Please confirm that this letter accurately describes your understanding and agreement to these terms by signing in the space provided below, and return the executed copy to my attention this afternoon via email if it meets with your approval.

I appreciate all your efforts and assistance in getting this worked out, and I look forward to continue to working with you in the future.

Best regards,


Michael R. Hunsucker, Director – CLEC Management and
Services, CenturyLink
(VP Wholesale Services & Support designee for post-
merger company)
michael.hunsucker@centurylink.com

Confirmed as to content and Agreed to as to terms:


By: Michel Singer Nelson
Associate General Counsel
360networks (USA) inc.

EXHIBIT

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ARIZONA CORPORATION COMMISSION
HEARING DIVISION

1 LUBIN & ENOCH, P.C.
2 Nicholas J. Enoch
3 State Bar No. 016473
4 Jarrett J. Haskovec
5 State Bar No. 023926
6 349 North Fourth Avenue
7 Phoenix, Arizona 85003
8 Telephone: (602) 234-0008
9 Facsimile: (602) 626-3586
10 E-mail: nicholas.enoch@azbar.org

11 Attorneys for Intervenor CWA

12 **BEFORE THE ARIZONA**

13 **CORPORATION COMMISSION**

14 IN THE MATTER OF THE JOINT
15 NOTICE AND APPLICATION OF
16 QWEST CORPORATION, QWEST
17 COMMUNICATIONS COMPANY,
18 LLC, QWEST LD CORP., EMBARQ
COMMUNICATIONS, INC. D/B/A
CENTURYLINK COMMUNICATIONS,
EMBARQ PAYPHONE SERVICES,
INC. D/B/A CENTURY LINK,
AND CENTURYTEL SOLUTIONS,
LLC, FOR APPROVAL OF THE
PROPOSED MERGER OF THEIR
CORPORATIONS QWEST
COMMUNICATIONS
INTERNATIONAL INC. AND
CENTURYTEL, INC.

Docket Nos. T-01051B-10-0194
T-02811B-10-0194
T-04190A-10-0194
T-20443A-10-0194
T-03555A-10-0194
T-03902A-10-0194

**CWA'S: 1) NOTICE OF
WITHDRAWAL; AND 2) NOTICE
OF FILING SETTLEMENT
AGREEMENT BETWEEN CWA AND
JOINT APPLICANTS**

19 As is explained more fully below, Intervenor
20 Communications Workers of America ("CWA"), another labor
21 union, and the Joint Applicants have entered into a
22 settlement that, in conjunction with commitments made by the
23 Joint Applicants to the Minnesota Department of Commerce,
24 resolve CWA's concerns with the proposed transaction.
25 Consequently, CWA hereby withdraws its opposition to the
26 proposed transaction. Furthermore, CWA hereby withdraws as
27 an intervenor in the above-referenced dockets, specifically
28

1 including the withdrawal of all discovery requests, pre-
2 filed testimony filed on behalf of CWA, and CWA's pending
3 motions to compel (#1 and #2), and CWA requests that the
4 hearing regarding such motions to compel on October 27,
5 2010, be vacated. Finally, CWA requests that it be removed
6 from the service list in the above-referenced dockets. CWA
7 respectfully requests that the Commission issue an order
8 granting this withdrawal if such an order is necessary.

9 Specifically, on October 18, 2010, CWA, the
10 International Brotherhood of Electrical Workers,
11 CenturyLink, and Qwest entered into an agreement concerning
12 the proposed merger (referred to herein as "the CWA
13 Settlement"). A copy of the CWA Settlement is attached
14 hereto as Appendix "A". During this proceeding, CWA raised
15 three primary concerns about the proposed transaction, each
16 of which has been addressed.

17 First, CWA was concerned about the apparent intention
18 of CenturyLink to move quickly to integrate billing,
19 customer service, dispatch, and other operational support
20 systems (OSS). Given the problems that have arisen in the
21 on-going integration of Embarq service areas into
22 CenturyLink's OSS, CWA recommended that CenturyLink be
23 required to demonstrate the successful completion of the
24 Embarq integration before CenturyLink started to integrate
25 Qwest's operations. In a settlement with the Minnesota
26 Department of Commerce in the on-going Minnesota proceeding,
27 CenturyLink has committed to wait at least two years after
28

1 closing before it begins to integrate the Qwest and
2 CenturyLink wholesale OSS. Because the wholesale and retail
3 OSS are closely linked, and because Qwest relies on the same
4 OSS in all jurisdictions, CWA believes this has the same
5 effect as a two-year hiatus in any significant Qwest-
6 CenturyLink integration activities. CenturyLink anticipates
7 concluding the Embarq integration process in the third
8 quarter of 2011, which would provide a period of at least 18
9 months before the Qwest OSS integration would begin. In
10 CWA's opinion, this provision is a satisfactory resolution
11 of CWA's first concern.

12 Second, CWA was concerned about the effect of the
13 proposed transaction on employment levels, particularly
14 among Qwest's field work force and call center operations.
15 CWA's outside consultant has had an opportunity to review
16 synergy estimates prepared by the Joint Applicants and it
17 does not appear that substantial reductions are anticipated
18 in the field work force. Moreover, in the CWA Settlement
19 CenturyLink has agreed to a process whereby CWA and the
20 Joint Applicants will attempt to maximize employment levels
21 throughout the CenturyLink/Qwest service areas. Appendix
22 "A", ¶¶ 1 and 3.

23 While reductions in call center operations may occur,
24 the CWA Settlement provides a transition period of
25 approximately one year (until May 15, 2012) during which
26 CenturyLink agrees not to close any Qwest call center where
27 the workers are represented by CWA or another labor union.

1 Appendix "A", ¶ 2. Moreover, CenturyLink also has committed
2 to certain enhanced separation benefits for a limited period
3 of time for any affected call center employees, which should
4 further ease the burden on employees of any call center
5 closings that the Joint Applicants find to be necessary to
6 enhance operational efficiency. This also provides a
7 monetary incentive for CenturyLink to retain these call
8 centers in service for an additional five months after the
9 May 2012 commitment.

10 Third, CWA expressed concern about the combined
11 company's commitment to broadband deployment and other
12 necessary network investments. While the Joint Applicants
13 were not willing to commit, at this time, to specific
14 broadband and other infrastructure investment targets, the
15 CWA Settlement recognizes that such investments are
16 essential to the financial health of Qwest and CenturyLink,
17 as well as the communities they serve. Appendix "A", ¶ 5.
18 CWA and the Joint Applicants agree to work together to
19 facilitate this investment, including CWA's agreement to
20 assist in Joint Applicants' efforts to enhance services in
21 rural and economically disadvantaged areas.

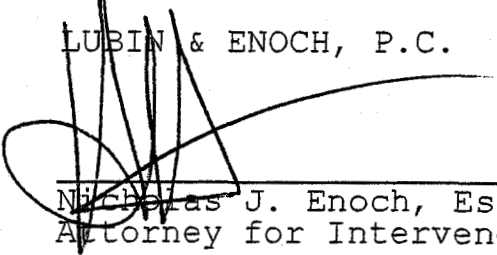
22 The remainder of the CWA Settlement essentially
23 reaffirms commitments made by Joint Applicants in their
24 merger agreement to keep in place collective bargaining
25 agreements, and various terms and conditions thereof, after
26 the transaction closes. Appendix "A" ¶¶ 6-9; see also
27 Appendix "B", Agreement and Plan of Merger dated as of April

1 21, 2010, § 6.13. While these provisions of the CWA
2 Settlement reaffirm commitments made in the merger
3 agreement, their existence in a settlement with CWA is
4 important because the merger agreement states that there are
5 no "third party beneficiaries" of the merger agreement.
6 Id., §§ 6.13(c) and 9.07. Thus, without a specific
7 agreement between the union and the Joint Applicants, the
8 employee-related provisions of the merger agreement would
9 not be enforceable by the employees themselves.

10 **WHEREFORE**, for the reasons set forth above, CWA submits
11 that the CWA Settlement is in the public interest and
12 constitutes a reasonable resolution to the issues raised by
13 CWA before this Commission. CWA therefore withdraws, or
14 requests to withdraw, as an intervenor in the above-
15 referenced dockets, and requests that it be removed from the
16 service list in the above-referenced dockets.

17 RESPECTFULLY SUBMITTED this 21st day of October 2010.

18 LUBIN & ENOCH, P.C.

19
20 
21 _____
22 Nicholas J. Enoch, Esq.
23 Attorney for Intervenor CWA
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25
26
27
28

CERTIFICATE OF SERVICE

1
2
3 I hereby certify that on this 21st day of October,
4 2010, an Original and thirteen (13) copies of the CWA's
5 Notice of Withdrawal was filed with:

6 Arizona Corporation Commission
7 Docket Control Center
8 1200 West Washington Street
9 Phoenix, Arizona 85007-2996

10 I hereby further certify that I have this day served
11 one (1) copy of the foregoing document on all parties of
12 record in this proceeding via regular*/e-mail, as set forth
13 on the attached Service List (not including Arizona
14 Reporting Service and Lyn Farmer).

15 Danette Valencia
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Docket	Documents	Decisions	Case Schedule	Staff Assigned	Service List	Linked Dockets
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Back

Service List PDF Web Word Excel

Service List:

Company	Contact	Address	Date Added
	John Ilgen	9606 N. Mopcc Expressway Suite 700 Austin, Texas 78759	9/22/2010
	Lyndall Nipps	845 Camino Sur Palm Springs, California 82262	8/3/2010
XO Communications, Inc.	Rex Knowles	7050 Union Park Ave., Ste. 500 Midvale, Utah 84047	7/30/2010
DIECA Communications, Inc	Katherine Mudge	7000 N. Mopac Expressway, 2nd Floor Austin, Texas 78731	7/30/2010
	Arizona Reporting Service, Inc.	2200 N. Central Ave. -502 Phoenix, Arizona 85004-1481	7/2/2010
	Penny Stanley	270 Interlocken Blvd. - 600 Broomfield, Colorado 80021	7/2/2010
	Michel Singer-Nelson	270 Interlocken Blvd. - 600 Broomfield, Colorado 80021	7/2/2010
	Harry Gildea	1111 14th St., N.W., - 300 Washington , District of Columbia 20005	7/2/2010
	Stephen Melnikoff	901 N. Stuart St., - 700 Arlington, Virginia 22203-1837	7/2/2010
	Scott Rubin	333 Oak Lane Bloomsburg, Pennsylvania 17815	7/2/2010
	Nicholas Enoch	349 N. Fourth Ave. Phoenix, Arizona 85003	7/2/2010
	James Falvey	420 Chinguapin Round Rd., - 2-1 Annapolis, Maryland 21401	7/2/2010
	Joan Burke	1650 N. First Avenue Phoenix, Arizona 85003	7/2/2010
	William Haas	One Martha's Way Hiawatha, Iowa 52233	7/2/2010
	Rogelio Pena	4845 Pearl East Circle, - 101 Boulder, Colorado 80301	7/2/2010
	Greg Rogers	1025 Eldorado Boulevard Broomfield, Colorado 80021	7/2/2010
	Mark DiNunzio	1550 W. Deer Valley Rd. MS:DV3-16, Bldg. C Phoenix, Arizona 85027	7/2/2010
	Daniel Pozefsky	1110 West Washington, Suite 220 Phoenix, Arizona 85007	7/2/2010
	David Ziegler	20 E. Thomas Rd, 16th Floor Phoenix, Arizona 85012	7/2/2010
	Linda Stinar	6700 Via Austi Pkwy.	7/2/2010

DECISION NO. 72232

		Las Vegas, Nevada 89119	
	Gregory Merz	500 IDS Center 80 S. Eighth St. Minneapolis, Minnesota 55402	6/21/2010
elon Telecom of ona, Inc.	Karen Clauson	6160 Golden Hills Dr. Golden Valley, Minnesota 55416- 1020	6/21/2010
	Michael Patten	Roshka DeWulf & Patten, PLC One Arizona Center 400 E. Van Buren St. - 800 Phoenix, Arizona 85004	6/21/2010
	Kevin Zarling	400 West 15th Street, Ste 315 Austin, Texas 78701	6/9/2010
	Janice Alward	1200 W. Washington Phoenix, Arizona 85007	5/14/2010
	Steve Olea	1200 W. Washington St. Phoenix, Arizona 85007	5/14/2010
Arizona Corporation Commission	Lyn Farmer	1200 W. Washington Phoenix, Arizona 85007-2927	5/14/2010
	Jeffery Crockett	One Arizona Center 400 E. Van Buren Phoenix, Arizona 85004-2202	5/14/2010
	Norman Curtright	20 E. Thomas Road, 16th Floor Phoenix, Arizona 85012	5/14/2010

APPENDIX A



October 18, 2010

Annie Hill
Executive Vice President
Communications Workers of America
501 Third Street, NW
Washington, DC 20001

Mary Taylor
Vice President – District 7
Communications Workers of America
8085 East Prentice Avenue
Greenwood Village, Colorado 80111-2745

Martha Pultar
Telecommunications Director
International Brotherhood of Electrical Workers
900 Seventh Street, NW
Washington, DC 20001

Jasper Gurganus
Vice President, Telecommunications
Communications Workers of America
501 Third Street NW
Washington, DC 20001

RE: LETTER OF AGREEMENT RELATED TO CENTURYLINK AND QWEST MERGER

Dear Messers Hill, Taylor, Pultar and Gurganus:

There has been much discussion and engagement between the parties regarding the pending merger between CenturyLink and Qwest and its impact to jobs that are represented by the Communications Workers of America and the International Brotherhood of Electrical Workers. As a result of those discussions, the parties have entered into this Letter of Agreement with respect to that merger and the relationship with the Unions.

This Letter of Agreement (the "Agreement") is made and entered into as of this 18th day of October, 2010 ("Effective Date"), by and between the Communications Workers of America and all of its Districts and Locals (collectively, the "CWA"), the International Brotherhood of Electrical Workers and all of its Districts and Locals (collectively, the "IBEW"), Qwest Corporation and its subsidiaries (collectively, "Qwest"), and CenturyLink, Inc. and its subsidiaries (collectively, "CenturyLink"). For purposes of this Agreement, the CWA, IBEW, Qwest and CenturyLink are sometimes collectively referred to as the "Parties" and individually referred to as a "Party".

The merger between CenturyLink and Qwest will create opportunities to expand and grow over the long term but, as with all companies in the data and telecommunications businesses, appropriate levels of employment and its workforce must match its business needs and economic realities. The Parties recognize that CenturyLink and Qwest cannot make specific commitments on the number of jobs that will be maintained or created as a result of the merger. Therefore, the Parties agree that some principles should guide the activities and employment levels of union-represented jobs following the merger of CenturyLink and Qwest.

1. **Employment Levels** – CenturyLink and Qwest (collectively "NewCo"), intends to grow and increase employment over the long term, but in any event, plans on continuing to employ the appropriate level of resources, including workforce, employee benefits, network and investment, necessary to achieve the continuation of quality service to the existing and prospective CenturyLink and Qwest customers while remaining competitive. We understand the difficult economy in which we are working. The Parties recognize that reductions in force may be

required at some time in the future. If such reductions occur, the companies agree, for a period of thirty (30) months from the date of the closing of the merger, that the percentage of the total workforce of NewCo composed of union-represented employees, will not decrease by any more than one percentage point (1%) from its percentage of the total workforce as of the closing of the CenturyLink and Qwest merger (excluding individual voluntary separations or terminations for cause, if any, but including program separations such as EIPP, VTP or VSPP). The estimated percentage at the current time is 44.2%. The closing date percentage will be calculated as soon after closing of the CenturyLink/Qwest merger as practicable. Likewise, during those thirty months, the percentage of workers represented by each union will not decrease by more than one-half percent (0.5%) from its then current percentage of the total workforce at merger close. Both benchmark figures – the one percentage point (1%) variation for overall bargaining units and the one-half percentage point (0.5%) variation for each union – are subject to calculation as of the merger closing date. (The calculation methodology for establishing both benchmark figures is demonstrated in Addendum "A" attached to this Agreement.)

Moreover, if workforce reductions are required, NewCo, in its discretion, will make available outplacement support for bargaining unit employees under the outplacement program adopted or currently offered by the company (e.g., PATHWAYS for Qwest employees). The handling of workforce reductions, the provision of alternative employment opportunities for laid off employees, and other similar or related issues will be among the subjects of conversations at the National Cooperative Resource Council, described in Section 4 below.

The parties believe that NewCo must operate at the highest level of affordable technological knowledge (embodied in equipment, organization or methods of operation). Technological change, however, can be disruptive both to the workforce and management. To mitigate any potential negative effects of technological change, union leaders and management will engage in periodic discussions (at least semi-annually) towards the goal of jointly addressing the impact of these emerging and evolving technological changes to the benefit of employees, customers, and shareholders, and shall include attempts to drive new technologies into existing and future bargaining units. In the belief that the adoption of appropriate technologies benefits NewCo and its stakeholders in both the short and long terms, both unions and management will encourage employees to engage in retraining opportunities made available by the company to assist NewCo in maintaining an industry-leading workforce. In order to assist in understanding the effects of the technological changes, when feasible, management will work with the unions proactively in trials of new technologies. When the new technologies may have negative employment consequences on bargaining unit employees, such discussion will focus on considering the offering of alternative employment opportunities.

NewCo recognizes that the completion of the merger will not have any impact on existing collective bargaining agreements. Each of NewCo's operating subsidiaries, including those acquired through the merger, will continue as the employer of its represented employees, and will continue to honor all existing collective bargaining agreements to which the subsidiary is currently a party. Each operating subsidiary will also continue to recognize the relevant IBEW and/or CWA locals that represent its employees as the exclusive bargaining representative of those employees.

2. **Call Center** – NewCo shall commit, for the period between the date of merger close and May 15, 2012, not to close any Qwest call center comprised of union represented employees. (The applicable Qwest call centers have been identified in Addendum "B" attached to this Agreement. "Qwest call center employees" shall be any union-represented employee whose primary work assignment is located within any of these centers). NewCo shall also provide, in addition to current contractual requirements, thirty (30) days advance notice to the Union of a closure of any union-represented call center that may be announced prior to October 6, 2012. (The applicable union-represented call centers have been identified in Addendums "B" and "C" attached to this Agreement. Union-represented call center employees shall mean any union-represented

employee whose primary work assignment is located within any of these centers). The Parties agree that any advance notice to the Union of NewCo's plans to close a union-represented call center shall remain confidential between the Parties until NewCo formally announces such call center closures.

During the period between the date of merger close and October 6, 2012, NewCo agrees to enhance certain severance and other benefits available to Union-represented call center employees, subject to the following:

- a. Separation payments for impacted employees and their respective agreements: voluntary and involuntary separation payment schedules shall be increased by twenty percent (20%) for eligible employees who separate under these provisions.
 - b. Six (6) additional months of company-subsidized COBRA benefits coverage under NewCo's health care, dental and vision plans, or successor plans, shall be available at the active employee rate to union-represented employees in the Qwest call centers who have at least one year or more of Term of Employment (TOE). Eligible employees may elect to continue COBRA coverage for the remaining portion of the eighteen (18) months that exceeds the Company subsidized period, based on TOE, by paying the full monthly premium.
 - c. Eligible employees, who qualify for reimbursement of relocation expenses, pursuant to the provisions of the impacted employee's collective bargaining agreement, shall have their relocation allowances or payments increased by twenty percent (20%).
 - d. Recall Rights shall be extended to eligible employees who voluntarily or involuntarily separate under force adjustment or force reduction provisions, subject to the provisions of the applicable collective bargaining agreement and employees' eligibility for rehire. In the absence of a Recall Rights provision in the applicable collective bargaining agreement, the Parties will default to the terms contained within the Qwest collective bargaining agreements between CWA and IBEW expiring on October 6, 2012.
 - e. Impacted employees who participate under force adjustment and force reduction provisions shall be offered: (i) "follow the work" opportunity to the receiving location, if an opening exists; and (ii) priority placement for lateral and lower rated positions available throughout the bargaining units of any NewCo subsidiary, subject to minimum or basic job qualification requirements, unless the collective bargaining unit prohibits or restricts such consideration for placement into the vacant position.
3. **National Employee Transfer Plan** – the Parties' various collective bargaining agreements often establish provisions that allow employees to transfer or apply for other open union-represented positions within the bargaining unit. With the merger of CenturyLink and Qwest, the Parties recognize that union-represented employees may want to transfer or apply for open positions between and across bargaining units. While nothing in this paragraph adds, changes, modifies, eliminates or discontinues the provisions of any individual collective bargaining agreement with regard to employee transfers, the Parties agree to engage in efforts to negotiate a mutually agreeable National Employee Transfer Plan within seventy-five (75) days following execution of this Letter of Agreement. If mutual agreement on a national transfer plan is not reached within seventy-five (75) days, escalation of the matter shall be directed to the Executive Vice President – CWA; Telecommunications Director – IBEW; Senior Vice President – Public Policy and Government Affairs (Qwest) and the Senior Vice President – HR (CenturyLink) for good faith

efforts at resolution. In the event the Parties cannot reach agreement within thirty (30) days following escalation of the matter, any party may unilaterally elect to discontinue negotiating by providing notice to the other parties. Such negotiations shall not be subject to arbitration.

In the spirit of reaching agreement on a National Employee Transfer Plan (the "Plan"), the Parties agree to the following principles and framework:

- a. The Plan should facilitate movement between and across bargaining units that are covered by different collective bargaining agreements with the goal of preserving employees' benefits earned while under the collective bargaining agreement in effect immediately prior to the transfer to another bargaining unit and collective bargaining agreement.
 - b. The Plan is for use on a voluntary basis and for situations of force adjustment or force reduction.
 - c. The Plan will not add, change, modify, eliminate or discontinue the terms and conditions of the collective bargaining agreement that covers the open position for transferees within the bargaining unit, and does not alter or expand the candidate selection criteria and process used by NewCo for placements within or into the bargaining unit.
 - d. The Parties shall explore the impact of pension portability and seniority for transfers between and across the bargaining units for such things as scheduling, vacation/paid time off, force adjustment, and force reduction. The Parties' existing collective bargaining agreements shall govern the recognition of seniority for transfers between and across bargaining units and the application of seniority, unless otherwise agreed to by the parties who are signatory to any particular bargaining agreement.
4. **Cooperative Resource Councils** – Contingent upon the close of the merger, CenturyLink shall commit, until January 1, 2015, that the currently established national and regional Cooperative Resource Councils (the "CRC") shall be expanded to include issues of common concern with the merger of Qwest and its integration. This Council, which has no authority to add, change, modify, eliminate or discontinue any provision of the Parties' various collective bargaining agreements, will be extended until January 1, 2015, unless otherwise extended further, in writing, with mutual agreement by the Parties. The national CRC shall work in concert with any established council, committee or process that currently exists under Qwest's Collective Bargaining Agreements.
5. **Investment** – The Parties agree that they share a common interest in the continued investment in technology that establishes the infrastructure for new products and services, improves service quality, and/or achieves operational efficiencies for CenturyLink. As part of the capital investment program, deployment and expansion of broadband facilities, especially in the unserved and under-served areas, to provide access to high speed Internet service is also essential for economic growth, job creation and global competitiveness. To support this common goal, the Parties agree that CWA and IBEW will affirmatively and timely support grant applications by NewCo or its subsidiaries for federal stimulus or similar funds including, Qwest's pending grant application for Federal stimulus funds with RUS, as part of the joint effort to expand investment in broadband facilities.

The parties also agree to work together to promote legislative and regulatory changes that support increased investment in broadband facilities, including in the FCC's inquiry into the regulatory classification of broadband services, its proceedings to implement the National Broadband Plan, and FCC and Congressional proceedings to reform universal service funding.

The Parties further agree that an aggressive program of capital investment is required if expanded opportunities are to be realized. Such investment must take advantage of the various capabilities and technologies available to CenturyLink, and careful consideration must be given on where and how such investments are made that promise attractive revenue growth, expected margins, and the return on investment.

Clearly, higher capital expenditures will attract businesses, as well as foster economic and individual development. To realize these opportunities, CenturyLink expects to continue to invest in its future and to make capital expenditures sufficient to maintain its position as an industry leader and drive additional revenues into CenturyLink. While CenturyLink cannot make specific commitments in these areas or on the number of union-represented jobs that will be maintained or created by such investments, the Parties agree that CWA and IBEW will work with CenturyLink to further our mutual interests in growing profitable businesses, expand network and infrastructure investment, and provide employment opportunities where it can do so quickly, efficiently and cost effectively.

6. **Contractors** – The parties recognize that utilization of contractors is unique to each bargaining unit and its respective collective bargaining agreement and, accordingly, agree that each operating subsidiary will continue to abide by any and all commitments relating to contractors that are found in existing collective bargaining agreements. Furthermore, the overall question of contractor utilization will be among the subjects for discussion at the National Cooperative Council referred to in Section 4 above. In addition, the unions may provide CenturyLink lists of construction contractors whose employees are unionized. CenturyLink will allow such contractors to participate in the ordinary contractor certification process and, if qualified, in the bidding process on a non-discriminatory basis.
7. **Bargaining Units** – The merger between CenturyLink and Qwest will increase the number of bargaining units and various collective bargaining agreements between the Parties. While any changes to the Parties' collective bargaining agreements are subject to negotiation by and between each operating subsidiary and the relevant union or local, NewCo recognizes the Unions' desires to combine or merge bargaining units, and as a result to have fewer collective bargaining agreements. The Parties agree that such discussions may be appropriate prior the merger close, as well as post-merger close when NewCo fully integrates Qwest into its operation, and executes on its market, business and operational strategies. Therefore, the Parties agree to exploratory discussions about the possibility of combining or merging select bargaining units or collective bargaining agreements. Each Party shall give a good faith consideration to the exploration of these issues, but only such changes as are mutually agreed upon during such discussions shall take effect.
8. **Health Care** – The parties are mutually committed to finding cost-effective means to provide quality health care options to all of the Company's represented employees. All collective bargaining over health care related issues, as well as all other collective bargaining, shall continue to take place between each operating subsidiary and the relevant union entity (local or international) that represents employees of the subsidiary. NewCo, IBEW, and CWA, however, hereby mutually agree to continue their participation in the National Health Care Advisory Committee ("NHCAC"), through which they will discuss health care related issues at a national level, and attempt to find creative solutions which may be adopted in agreements bargained at the local level. Such discussions shall not constitute or be construed as collective bargaining. The NHCAC will meet on a regular basis, to be determined by mutual agreement, and will conduct its activities in a way consistent with the normal health care purchasing cycle. Upon request with reasonable notice, and subject to the requirement that they sign appropriate non-disclosure agreements, members of the NHCAC will be given appropriate and relevant data and other information as is mutually agreed will be beneficial in furthering the discussions between the parties.

Union Agreements Related to CenturyLink and Qwest Merger
Letter of Agreement, dated October 18, 2010
Page 6 of 7

9. **Organizing and Neutrality** – The Parties agree that union organizing activities are subject to the National Labor Relations Act and where collective bargaining agreement provisions address these activities, each operating subsidiary will continue to abide by any and all commitments relating to union organizing activities that are found in existing collective bargaining agreements. Additionally, during any union organizing campaign, the Parties also agree that any distributed information, (whether orally or in writing) by either party will contain accurate information and that neither party will intentionally make false statements or misrepresentations about the other.

Neutrality during any union organizing campaign has prompted much discussion between the Parties and nothing contained in this Agreement adds, modifies, changes, discontinues or eliminates existing collective bargaining agreements with regard to neutrality. While any changes to the Parties' collective bargaining agreements are subject to negotiation by and between each operating subsidiary and the relevant union or local, the Parties agree to give good faith consideration to exploratory discussions about neutrality in future collective bargaining negotiations.

Any dispute under the terms of this Paragraph 9 or escalation of any issue related to the commitments of the Parties contained in this paragraph shall be directed to the Executive Vice President – CWA; Telecommunications Director – IBEW; Senior Vice President – Public Policy and Government Affairs (Qwest) and the Senior Vice President – HR (CenturyLink) for good faith efforts at resolution. In the event the Parties cannot reach resolution of the issue within seven (7) days following escalation of the matter, the issue shall be submitted to a neutral third party. The guidelines for selection of the neutral third party shall be mutually agreed to by the Parties. The Parties agree that submission to a neutral third party does not waive any Party's right to pursue any and all available remedies by giving notice to the other Party.

Each of the Parties acknowledge the benefits flowing from, and acknowledge compliance by CenturyLink with the Letter of Agreement dated February 25, 2009, and look forward to similar benefits flowing from this Agreement.

Unless otherwise agreed to in this Letter of Agreement, the agreements contained herein will be in effect from the closing date of the CenturyLink/Qwest merger until October 6, 2012 and, thereafter, they shall be subject to extension or modification upon mutual agreement of the Parties. CenturyLink's and Qwest's commitments in this letter will be effective only upon the closing of the merger between CenturyLink and Qwest. In return, the CWA and the IBEW agree that, as soon as practical, but at least within five (5) business days of the execution of this Letter Agreement, they will take all necessary steps to withdraw all opposition to the merger, regardless of the form by which that opposition has been asserted, in all state and federal regulatory proceedings regarding the merger (e.g., including withdrawal of all intervention or discovery requests, petitions to intervene, comment or protest, withdrawal of all negative comments and withdrawal of all testimony opposing the merger). Further, the CWA and the IBEW hereby acknowledge that the merger of CenturyLink and Qwest would be in the public best interest. Lastly, the CWA and the IBEW will not intervene in any additional state proceedings or participate with or assist any others, directly or indirectly, in opposing the merger. However, CWA and IBEW and their Locals may send correspondence or make public statements supporting the merger, at their discretion.

We believe this sets forth all agreements that we have reached related to the proposed merger. If you agree, we ask that each of you execute a copy of this letter and return it to us at your earliest convenience.

Thank you for your efforts in reaching these understandings.

Union Agreements Related to CenturyLink and Qwest Merger
Letter of Agreement, dated October 18, 2010
Page 7 of 7

QWEST CORPORATION

Signature: _____

Title: _____

Date: _____

CENTURYLINK, INC.

Signature: _____

Title: _____

Date: _____

We accept and agree to the understanding set out in the above and foregoing letter this 18th day of October, 2010.

COMMUNICATIONS WORKERS OF AMERICA

Signature: Annie Hill

Title: Executive Vice President

Date: October 18, 2010

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

Signature: _____

Title: _____

Date: _____

APPENDIX B

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

Dated as of April 21, 2010,

Among

QWEST COMMUNICATIONS INTERNATIONAL INC.,

CENTURYTEL, INC.

and

SB44 ACQUISITION COMPANY

or delayed. Without limiting in any way the parties' obligations under Section 6.03, each of CenturyLink and Qwest shall cooperate, shall cause the CenturyLink Subsidiaries and Qwest Subsidiaries, as applicable, to cooperate, and shall use its reasonable best efforts to cause its directors, officers, employees, agents, legal counsel, financial advisors, independent auditors, and other advisors and representatives to cooperate in the defense against such litigation.

SECTION 6.09. Section 16 Matters. Prior to the Effective Time, Qwest, CenturyLink and Merger Sub each shall take all such steps as may be required to cause (a) any dispositions of Qwest Common Stock (including derivative securities with respect to Qwest Common Stock) resulting from the Merger and the other transactions contemplated by this Agreement by each individual who will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Qwest immediately prior to the Effective Time to be exempt under Rule 16b3 promulgated under the Exchange Act and (b) any acquisitions of CenturyLink Common Stock (including derivative securities with respect to CenturyLink Common Stock) resulting from the Merger and the other transactions contemplated by this Agreement, by each individual who may become or is reasonably expected to become subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to CenturyLink to be exempt under Rule 16b-3 promulgated under the Exchange Act.

SECTION 6.10. Governance Matters. CenturyLink shall take all necessary action to cause, effective at the Effective Time, four persons selected by Qwest after reasonable consultation with CenturyLink, including Edward A. Mueller, each of whom are currently directors of Qwest, to be elected to the CenturyLink Board.

SECTION 6.11. Public Announcements. Except with respect to any Qwest Adverse Recommendation Change or CenturyLink Adverse Recommendation Change made in accordance with the terms of this Agreement, CenturyLink and Qwest shall consult with each other before issuing, and give each other the opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated by this Agreement, including the Merger, and shall not issue any such press release or make any such public statement prior to such consultation, except as such party may reasonably conclude may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system. Qwest and CenturyLink agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement shall be in the form heretofore agreed to by the parties.

SECTION 6.12. Stock Exchange Listing. CenturyLink shall use its reasonable best efforts to cause the shares of CenturyLink Common Stock to be issued in the Merger to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Closing Date.

SECTION 6.13. Employee Matters. (a) For a period of not less than 12 months following the Effective Time, the employees of Qwest and the Qwest Subsidiaries who remain in the employment of CenturyLink and the CenturyLink Subsidiaries (the "Continuing Employees") shall receive compensation and benefits that are substantially comparable in the aggregate to the compensation and benefits provided to such employees of Qwest and the Qwest Subsidiaries immediately prior to the Effective Time, except as otherwise set forth in Section

6.13(a) of the Qwest Disclosure Letter; provided, however, that the terms and conditions of employment for any Continuing Employee whose employment is subject to a collective bargaining agreement shall be governed by such collective bargaining agreement from and after the Effective Time in accordance with Section 6.13(j).

(b) With respect to any employee benefit plan maintained by CenturyLink or any of the CenturyLink Subsidiaries in which Continuing Employees and their eligible dependents will be eligible to participate from and after the Effective Time, for purposes of determining eligibility to participate (but not for purpose of early retirement programs), level of benefits including benefit accruals (other than benefit accruals and early retirement subsidies under any defined benefit pension plan) and vesting, service recognized by Qwest and any Qwest Subsidiary immediately prior to the Effective Time shall be treated as service with CenturyLink or the CenturyLink Subsidiaries; provided, however, that, notwithstanding that Qwest service shall be recognized by CenturyLink benefit plans in accordance with the foregoing, the date of initial participation of each Continuing Employee in any CenturyLink benefit plan shall be no earlier than the Effective Time; further provided, however, that such service need not be recognized to the extent that (i) such CenturyLink employee benefit plan does not recognize service of similarly situated employees of CenturyLink or (ii) such recognition would result in any duplication of benefits.

(c) Except as otherwise set forth in this Section 6.13, (i) nothing contained herein shall be construed as requiring, and Qwest shall take no action that would have the effect of requiring, CenturyLink to continue any specific plans or to continue the employment, or any changes to the terms and conditions of the employment, of any specific person and (ii) no provision of this Agreement shall be construed as prohibiting or limiting the ability of CenturyLink to amend, modify or terminate any employee benefit plans, programs, policies, arrangements, agreements or understandings of CenturyLink or Qwest, with the exception of the Coverage Commitment under Appendix 6 "Pre-1991 Retirees and ERO Retirees Lifetime Health Care Coverage" of the Qwest Health Care Plan and the "Grandfathered Benefits" of Appendix 3 of the Qwest Group Life Insurance Plan. Without limiting the scope of Section 9.07, nothing in this Section 6.13 shall confer any rights or remedies of any kind or description upon any Continuing Employee or any other person other than the parties hereto and their respective successors and assigns.

(d) With respect to any welfare plan maintained by CenturyLink or any CenturyLink Subsidiary in which Continuing Employees are eligible to participate after the Effective Time, CenturyLink or such CenturyLink Subsidiary shall (i) waive all limitations as to preexisting conditions and exclusions with respect to participation and coverage requirements applicable to such employees to the extent such conditions and exclusions were satisfied or did not apply to such employees under the analogous welfare plans of Qwest and the Qwest Subsidiaries prior to the Effective Time and (ii) provide each Continuing Employee with credit for any co-payments and deductibles paid and for out-of-pocket maximums incurred prior to the Effective Time and during the portion of the plan year of the applicable Qwest welfare plan ending at the Effective Time, in satisfying any analogous deductible or out-of-pocket requirements to the extent applicable under any such plan.

(e) Without limiting the generality of Section 6.13, from and after the Effective Time, CenturyLink shall assume and honor, or shall cause to be assumed and honored, all employment, change in control and severance agreements between the Qwest and any Continuing Employee as in effect at the Effective Time and as set forth on Section 4.10(a) of the Qwest Disclosure Schedule, including with respect to any payments, benefits or rights arising as a result of the transactions contemplated by this Agreement (either alone or in combination with any other event), pursuant to the terms thereof, including respecting any limitations as to amendment or modification included in such agreements.

(f) Without limiting the generality of Section 6.13, CenturyLink shall assume, honor and continue, or shall cause to be assumed, honored and continued, for the benefit of all Continuing Employees, (i) the Qwest Management Separation Plan for a period of not less than 12 months following the Effective Time and (ii) the Qwest Time Off with Pay Policy through the later to occur of (i) the end of the calendar year in which the Effective Time occurs or (ii) December 31, 2011.

(g) With respect to the Qwest Management Annual Incentive Plan, each of CenturyLink and Qwest agrees that (i) bonuses applicable to 2010 shall be paid by Qwest in the ordinary course of business consistent with past practice (including, but not limited to, with respect to timing of payment and conditions pursuant to which an employee will forfeit his or her right to payment), with the amounts of such bonuses being prorated for the portion of 2010 prior to the Effective Time if the Effective Time occurs in 2010; (ii) if the Effective Time occurs in the first quarter of 2011, (A) target bonus amounts will be established consistent with past practice and (B) target bonus amounts will be paid at the Effective Time, pro-rated for the portion of 2011 prior to the Effective Time; and (iii) if the Effective Time occurs after the end of the first quarter of 2011, bonus amounts will be paid at the Effective Time based on corporate and business unit performance, pro-rated for the portion of 2011 prior to the Effective Time.

(h) Each of CenturyLink and Qwest agrees that, between the date of this Agreement and the Effective Time, without the prior written consent of the other party, it will not and will cause its Subsidiaries not to, directly or indirectly, solicit for hire or hire any director-level or more senior employee of the other party or its Subsidiaries; provided, however, that the foregoing provision will not prohibit such party from (i) hiring any such person who has not been employed by the other party during the preceding six months or (ii) making any general public solicitation not designed to circumvent these provisions.

(i) Nothing herein, expressed or implied, is intended or shall be construed to constitute an amendment to any CenturyLink Benefit Plan or Qwest Benefit Plan or any other compensation or benefits plan maintained for or provided to employees, directors or consultants of CenturyLink or Qwest prior to or following the Effective Time.

(j) From and after the Effective Time, CenturyLink, or the applicable CenturyLink Subsidiaries, shall retain full responsibility for any obligations under any collective bargaining agreement referenced in Section 3.19 of this Agreement and any collective bargaining agreements entered into or amended pursuant to Section 5.01(a)(xii) of this Agreement. From and after the Effective Time, Qwest, or the applicable Qwest Subsidiaries, shall retain full responsibility for any obligations under any collective bargaining agreement referenced in

Section 4.19 of this Agreement and any collective bargaining agreements entered into or amended pursuant to Section 5.01(b)(xii) of this Agreement.

(k) Each of CenturyLink and Qwest agrees that, for purposes of each Qwest Benefit Plan, the transactions contemplated by the Agreement shall constitute a "change in control," "change of control" or "corporate change," as applicable.

SECTION 6.14. Control of Operations. Nothing contained in this Agreement shall give CenturyLink or Qwest, directly or indirectly, the right to control or direct the other party's operations prior to the Effective Time.

SECTION 6.15. Coordination of Dividends. From and after the date hereof until the Closing Date, CenturyLink and Qwest shall coordinate with each other to designate the record dates for CenturyLink's and Qwest's respective quarterly dividends, including with respect to the dividends payable during the quarterly period in which the Closing is reasonably expected to occur, such that neither CenturyLink shareholders nor Qwest shareholders shall receive more than one quarterly dividend during any calendar quarter.

SECTION 6.16. Qwest Convertible Notes. Qwest agrees to take all necessary action to redeem all outstanding Qwest Convertible Notes at a redemption price in cash equal to 100% of the principal amount thereof, together with accrued and unpaid interest, on November 20, 2010. If any holder of Qwest Convertible Notes exercises its conversion rights with respect to any such Qwest Convertible Notes, Qwest shall exercise its right to pay cash in lieu of all "Residual Value Shares" (as defined in the supplemental indenture governing the terms of the Qwest Convertible Notes) issuable upon such conversion. If the Qwest Convertible Notes remain outstanding as of the Effective Time, CenturyLink agrees to execute and deliver, or cause to be executed and delivered, by or on behalf of the Surviving Company, at or prior to the Effective Time, one or more supplemental indentures and other instruments required for the due assumption of the outstanding Qwest Convertible Notes to the extent required by the terms of the Qwest Convertible Notes.

SECTION 6.17. Coordination of Qwest Stock Issuances. In the event that at any time between the date of this Agreement and the Closing Date, Qwest anticipates issuing Qwest Common Stock, Qwest shall inform CenturyLink and the parties shall cooperate in good faith to attempt to ensure that any such issuance would not cause all of the holders of Qwest Common Stock immediately prior to the Effective Time to receive in exchange for such Qwest Common Stock at the Effective Time a number of shares of CenturyLink Common Stock that amount to greater than fifty percent (50%) of the outstanding CenturyLink Common Stock. If, at the Effective Time, the number of shares of CenturyLink Common Stock to be issued to holders of Qwest Common Stock in the Merger ("New CenturyLink Shares") would be equal to or greater than the number of then-outstanding shares of CenturyLink Common Stock, Qwest shall, immediately prior to the Effective Time, repurchase a sufficient number of shares of Qwest Common Stock to cause the number of New CenturyLink Shares to be approximately 49.9% (and in any case, less than 50%) of the shares of CenturyLink Common Stock that would be outstanding immediately after the Effective Time (after taking such repurchase into account). The parties acknowledge and agree that any such repurchase shall not be a violation of Section

SECTION 9.04. Interpretation. When a reference is made in this Agreement to an Article, a Section or an Exhibit, such reference shall be to an Article, a Section or an Exhibit of or to this Agreement unless otherwise indicated. The table of contents, index of defined terms and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Exhibit but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof", "hereto", "hereby", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if." The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. Any agreement, instrument or Law defined or referred to herein means such agreement, instrument or Law as from time to time amended, modified or supplemented, unless otherwise specifically indicated. References to a Person are also to its permitted successors and assigns. Unless otherwise specifically indicated, all references to "dollars" and "\$" will be deemed references to the lawful money of the United States of America.

SECTION 9.05. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as either the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party or such party waives its rights under this Section 9.05 with respect thereto. 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 transactions contemplated hereby are fulfilled to the extent possible.

SECTION 9.06. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 9.07. Entire Agreement: No Third-Party Beneficiaries. This Agreement, taken together with the CenturyLink Disclosure Letter and the Qwest Disclosure Letter and the Confidentiality Agreement, (a) constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the Merger and the other transactions contemplated by this Agreement and (b) except for Section 6.05, is not intended to confer upon any Person other than the parties any rights or remedies.

SECTION 9.08. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

I, Cristina Parra Herrera, being first duly sworn, depose and state that on the 21st day of October 2010, I served the attached:

CWA Settlement Agreement

Re: MPUC Docket No.: P-421, et al./PA-10-456

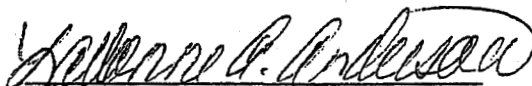
OAH Docket No.: 11-2500-21391-2

by electronic service or by depositing in the United States Mail at the City of St. Louis Park, a true and correct copy thereof, properly enveloped with postage prepaid, as designated on the attached service list.

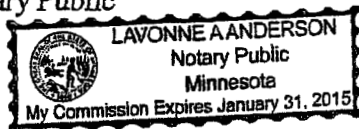


Cristina Parra Herrera

Subscribed and sworn to before me
this 21st day of October, 2010



Notary Public



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahem	ahem.michael@dorsey.com	Dorsey & Whitney, LLP	Suite 1500 50 South Sixth Street Minneapolis, MN 554021498	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Julia	Anderson	Julia.Anderson@state.mn.us	Office of the Attorney General-DOC	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Mark	Ayotte	mayotte@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 South Eighth Street Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Thomas	Bailey	tbailey@briggs.com	Briggs And Morgan	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Karly	Baraga Werner	baraga.karly@dorsey.com	Dorsey & Whitney, LLP	50 S 8th St Ste 1500 Minneapolis, MN 55402-1498	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Diane C.	Browning	diane.c.browning@sprint.com	Sprint Nextel	KSOPHN0212-2A411 6450 Sprint Pkwy Overland Park, KS 66261	Paper Service	Yes	OFF_SL_10-456_CC- Service List 1
Linda	Chavez	linda.chavez@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 55101-2198	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Karen L.	Clauson	kiclauson@integratelecom.com	Integra Telecom	6160 Golden Hills Drive Golden Valley, MN 55416	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Cathy	Clucas	cathy.clucas@emberq.com	Emberq Minnesota, Inc.	30 E 7th St Ste 1630 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Gregg M.	Corwin	gcorwin@gcorwin.com	Gregg M. Corwin & Associate Law Office, P.C.	1660 S. Highway 100, Ste 508E St. Louis Park, MN 55416-1534	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 55102198	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Marc	Fournier	marc.fournier@state.mn.us	Public Utilities Commission	Suite 350121 7th Place East St. Paul, MN 55102147	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55102147	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
K.C.	Halm	kchalm@dwt.com	Davis Wright Tremaine LLP	Suite 200 1919 Pennsylvania Avenue Washington, DC 200063402	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
JoAnn	Hanson	joann.hanson@qwest.com	Qwest Corporation	Room 2200 200 South Fifth Street Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
John	Lindell	agorud.ecf@state.mn.us	Office of the Attorney General-RUD	900 BRM Tower 445 Minnesota St St. Paul, MN 55102130	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Dan	Lipschultz	lipschultzd@moos-barnett.com	Moos Barnett	4800 Wells Fargo Center 90 South Seventh Street Minneapolis, MN 55402	Paper Service	Yes	OFF_SL_10-456_CC-Service List 1
Susan	Masterton	susan.masterton@centurylink.com	CenturyLink	315 S. Calhoun Street, Ste 500 Tallahassee, FL 32301	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Gregory	Merz	greg.merz@gpmlaw.com	Gray, Plant, Mooty	500 IDS Center 80 South Eighth Street Minneapolis, MN 55402	Paper Service	Yes	OFF_SL_10-456_CC-Service List 1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael R.	Moore	michael.moore@chartercom.com	Charter Communications, Inc.	12405 Powerscourt Drive St. Louis, MO 63131	Electronic Service	No	OFF_SL_10-456_CC-Service List 1
Barbara L.	Neilson		Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Paper Service	Yes	OFF_SL_10-456_CC-Service List 1
Brian	Nixon	briannixon@dwt.com	Davis Wright Tremaine	Suite 200 1919 Pennsylvania Avenue NW Washington, DC 20006	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Kevin	O'Grady	kevin.ogradystate.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Cristina	Parra Herrera	cparraherrera@gcorwin.com	Gregg M. Corwin & Associate Law Office, P.C.	1660 S. Hwy. 100, Suite 508E St. Louis Park, MN 55416	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Greg	Rogers	N/A	Level 3 Communications, LLC	1025 Eldorado Blvd. Denver, CO 80021	Paper Service	No	OFF_SL_10-456_CC-Service List 1
Scott	Rubin	scott.j.rubin@gmail.com	Scott J. Rubin	333 Oak Lane Bloomsburg, PA 17815	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1
Kenneth A.	Schifman	kenneth.schifman@sprint.com	Sprint	6450 Sprint Parkway KSOPHN0212-2A303 Overland Park, KS 662516105	Paper Service	Yes	OFF_SL_10-456_CC-Service List 1
Ann	Seha	aeha.ann@dorsey.com	Dorsey & Whitney	Suite 1500 50 South Sixth Street Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_10-456_CC-Service List 1
Janet	Sheddix Elling	jsheddix@janetsheddix.com	Sheddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_10-456_CC-Service List 1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michel	Singer Nelson	mnelson@360.net	360networks (USA) Inc.	370 Interlocken Blvd. Suite 800 Broomfield, CO 80021	Paper Service	No	OFF_SL_10-456_CC- Service List 1
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_10-456_CC- Service List 1
Jason	Topp	jason.topp@qwest.com	Qwest Corporation	200 S 5th St Ste 2200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1
Robert J.V.	Vose	rvose@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_10-456_CC- Service List 1
Charles G.	Watkins, III	gene.watkins@cbeyond.net	Cbeyond Communications, LLC	Suite 500 320 Interstate North Parkway, SE Atlanta, GA 30339	Electronic Service	Yes	OFF_SL_10-456_CC- Service List 1

EXHIBIT G

HEARING

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

RECEIVED

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AI CORP COMMISSION
DOCKET CONTROL

JOINT NOTICE AND APPLICATION OF QWEST CORPORATION, QWEST COMMUNICATIONS COMPANY, LLC, QWEST LD CORP., EMBARQ COMMUNICATIONS, INC. D/B/A CENTURY LINK COMMUNICATIONS, EMBARQ PAYPHONE SERVICES, INC. D/B/A CENTURYLINK, AND CENTURYTEL SOLUTIONS, LLC FOR APPROVAL OF THE PROPOSED MERGER OF THEIR PARENT CORPORATIONS QWEST COMMUNICATIONS INTERNATIONAL INC. AND CENTURYTEL, INC.

DOCKET NO. T-01051B-10-0194
T-03902A-10-0194
T-02811B-10-0194
T-20443A-10-0194
T-04190A-10-0194
T-03555A-10-0194

SETTLEMENT AGREEMENT AND STIPULATION

1 This Settlement Agreement and Stipulation ("Agreement") is entered into between Qwest Corporation, Qwest Communications Company, LLC, and Qwest LD Corp ("collectively, Qwest"), and Embarq Communications, Inc. D/B/A CenturyLink Communications, Embarq Payphone Services, Inc. D/B/A CenturyLink, and CenturyTel Solutions, Inc. (collectively, "CenturyLink") (collectively, Qwest and CenturyLink are "Applicants") and the U.S. Department of Defense and All Other Federal Agencies ("DoD/FEA") (collectively "Parties" or individually a "Party")

A. Background

On May 13, 2010, the Applicants filed with the Arizona Corporation Commission (“Commission”) an Application for approval of the indirect transfer of control of Qwest and its affiliates (the “merger” or “transaction”). The Applicants submitted Testimony on May 24, 2010, and October 27, 2010. DoD/FEA submitted Initial Testimony of Charles W. King, on Behalf of The Department of Defense and All Other Federal Executive Agents on September 27, 2010. In its testimony, DoD/FEA raised a number of issues in connection with the proposed transaction. The Parties subsequently engaged in settlement discussions to address DoD/FEA’s contested issues and now enter voluntarily into this Agreement to resolve all contested issues among the Parties in the proceeding and to expedite the orderly disposition of this proceeding.

B. Nature of Agreement

3 The Parties agree that this Agreement resolves all contested issues among them in this docket, that the merger with this associated Agreement is in the public interest, and thus that the Commission should approve the merger with this associated Agreement. The Parties further understand that DoD/FEA and the Applicants have agreed to the terms of this Agreement based upon the Commission’s approval of the merger with this associated Agreement.

C. Positions Are Not Conceded

4 In reaching this Agreement, no Party accedes to any particular argument made by any other Party.

D. Agreed Conditions on Approval of the Transaction

The conditions agreed upon by the Parties are set forth in Attachment 1 to this Agreement. All conditions in Attachment 1 apply for three years following closing of the transaction unless otherwise specifically noted in the condition in Attachment 1.

E. Effective Date

6 The effective date of the Agreement is the date the transaction closes. Notwithstanding the effective date of the Agreement as a whole, Sections G and H below, which require the Parties to support the Agreement before the Commission and govern publicity regarding the Agreement, are effective on the execution date of the Agreement. The execution date of the Agreement is the date of the latest signature.

7 If the Commission rejects the Agreement, the Agreement shall terminate, and the parties respectfully request that the Commission will instead enter an order on all contested issues. In the event the Commission accepts the Agreement upon conditions not proposed herein, or alters or rejects any portion of the Agreement, the procedures set forth in Section I below shall apply.

8 If the Applicants terminate their merger agreement or otherwise decide not to pursue the transaction then this Agreement shall be void.

F. Filing of the Agreement

9 The Applicants will file this Agreement, and the Parties hereby state that the Agreement is the complete and final resolution of all contested issues raised by DoD/FEA in this proceeding. The Parties agree that the DoD/FEA will submit its pre-filed testimony into

the administrative record; however, the Parties also agree that the DoD/FEA pre-filed testimony is deemed superseded by this Agreement. DoD/FEA will offer its pre-filed testimonies into the administrative record by stipulation through an affidavit, unless requested or directed otherwise by the Commission. This affidavit shall state that the DoD/FEA testimonies are superseded by this Agreement and that the merger with this associated Agreement is in the public interest.

G. Support of the Agreement

10 All Parties agree to use their best efforts to support the Agreement as a settlement of all contested issues in the pending proceeding. At a minimum, the Parties will provide supporting witnesses to: (a) sponsor the Agreement at a Commission hearing if so required; (b) state that the Agreement resolves the Parties' contested issues in this proceeding; (c) provide such other evidence or briefing that the Commission may require; and (d) state that the merger with this associated Agreement is in the public interest. No Party to this Agreement or their agents, employees, consultants or attorneys will engage in any advocacy contrary to this Agreement or support any other party's proposed conditions to the merger or opposition to this Agreement before the Commission or otherwise in this proceeding, excluding settlements between the Applicants and other parties.

H. Publicity

11 All Parties agree: (1) to provide all other Parties the right to review and approve in advance of publication any and all announcements or news releases that any other Party

intends to make about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements) and (2) to include in any news release or announcement a statement that in this jurisdiction the merger with this associated Agreement is in the public interest.

L. Procedure if the Commission Alters or Rejects any Portion of the Agreement

- 12 In the event the Commission alters or rejects this Agreement, the Parties propose that the Commission decide all contested issues as explained in Section E. In the event the Commission accepts the Agreement upon conditions not proposed herein, each Party reserves its right, upon written notice to the Commission and the parties within five (5) business days of the Commission's Order, to state its rejection of the conditions and withdrawal from the Agreement with the effect of respectfully requesting the Commission decide all contested issues as provided above.

J. The Agreement as Precedent

- 13 The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty and delay. Nothing in this Agreement (or any testimony, presentation or briefing in this proceeding) shall be asserted or deemed to mean that a Party agreed with or adopted another Party's legal or factual assertions in this proceeding. The limitations in this paragraph shall not apply to any proceeding to enforce the terms of this Agreement or any Commission order adopting this Agreement in full.
- 14 Because this Agreement represents a compromise position of the Parties in this Commission's proceeding, the Parties agree that no conduct, statements or documents

disclosed in the negotiation of the Agreement shall be admissible as evidence in this or any other proceeding. This paragraph does not apply to non-privileged, publicly available documents.

- 15 Furthermore, because this Agreement represents a compromise position of the Parties in this Commission's proceeding, no Party may use this agreement or the testimonies or pleadings and briefs of any other Party in this proceeding as precedent on the appropriateness of the positions of that other Party in any other proceeding.

K. Entire Agreement

- 16 The Parties acknowledge that this Agreement is the product of negotiations and compromise and shall not be construed against any Party on the basis that it was the drafter of any or all portions of this Agreement. This Agreement constitutes the Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understandings or agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations shall be relied upon by the Parties.

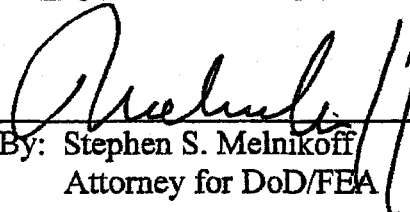
L. Manner of Execution

- 17 This Agreement is considered executed when all Parties sign the Agreement. A designated and authorized representative may sign the Agreement on a Party's behalf. The Parties may execute this Agreement in counterparts. If the Agreement is executed in counterparts, all counterparts shall constitute one agreement. A faxed or electronic transmission signature page containing the signature of a Party is acceptable as an

original signature page signed by that Party. Each Party shall indicate the date of its signature on the Agreement.

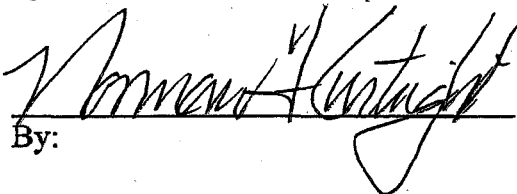
DATED this 5th day of November 2010

U.S. DEPARTMENT OF DEFENSE AND
ALL OTHER FEDERAL EXECUTIVE AGENCIES


By: Stephen S. Melnikoff
Attorney for DoD/FEA

5 November 2010
Date

QWEST


By:

Nov. 5, 2010
Date

CENTURYLINK

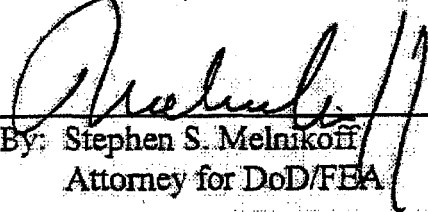
By: _____

Date _____

original signature page signed by that Party. Each Party shall indicate the date of its signature on the Agreement.

DATED this 5th day of November 2010

U.S. DEPARTMENT OF DEFENSE AND
ALL OTHER FEDERAL EXECUTIVE AGENCIES


By: Stephen S. Melnikoff
Attorney for DoD/FEA

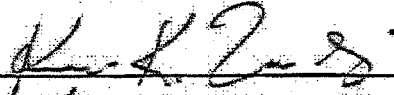
5 November 2010
Date

QWEST

By:

Date

CENTURYLINK


By: Kevin K. Zorking
Senior Counsel, CenturyLink

Nov. 5, 2010
Date

ATTACHMENT 1

VOLUME AND TERM PRICE PLAN ("Plan"):

- The post-merger company will not increase current (as of the execution date of the Agreement) pricing on retail Business Lines with or without Qwest Packages (single or multi-line), Centrex, Qwest Utility Line™, and PBX trunks for three years after the execution of this Agreement.
- If, at commencement or during the volume and term price plan duration, the rate charged for any Service covered by this Agreement is higher than the price listed in the applicable Tariff, Service Catalog or Price List, then the post-merger company shall reduce the price for such Services to the lower Tariff, Service Catalog or Price List rate, and the price commitment shall apply to such price.
- This Agreement is contingent on the U.S. Government and its agencies in Arizona, Colorado, and Utah maintaining total service levels that result in billings by the post-merger company that are at least 90% of the average quarterly billings for the four quarters preceding the date of this Agreement. If, after notice from the post-merger company, the total service billings remain continuously below the 80% level for 180 days, the Plan may be terminated by the post-merger company. This Agreement is also contingent upon approval of the Agreement and of the CenturyLink/Qwest merger by the applicable state regulatory commission.
- This Plan is being offered to the U.S. Government and its agencies on an individual case basis ("ICB") pursuant to applicable state regulations.
- Customer may move or add Service if the post-merger company commercially offers such options, and Customer agrees to pay all standard applicable charges related to such changes. Services that are added or changed will be covered by this Plan.
- This Plan will be implemented in the post-merger company's local service areas in Arizona, Colorado, and Utah.
- CenturyLink and Qwest commit that all service quality requirements that are part of any commission order relating to the proposed merger, as well as any other service quality requirements ordered by any commission shall be applicable to service provided to the U.S. Government and its agencies under this Agreement.
- This Agreement may be extended with the mutual consent of the parties. After the initial three years, this Agreement may be terminated by either party with 60 days notice.

- Additional standard terms and conditions may be incorporated if the parties reach agreement.
- The Plan does not affect existing Federal Government contracts.

EMPLOYEES HOLDING SECURITY CLEARANCES:

Qwest currently provides services to the U.S. Government under several contracts that require the services of Qwest employees who hold U.S. Government security clearances. Both Qwest and CenturyLink recognize the importance of assuring that the services provided under these contracts are not disrupted by the integration of CenturyLink and Qwest after their merger is finalized. CenturyLink and Qwest therefore commit that the merger of the two companies will not result in a reduction of service quality as a result of the separation from employment of employees who hold security clearances and who are engaged in providing services to the Government that require employees with such clearances, in accordance with contract provisions. CenturyLink and Qwest affirm that no organizational or personnel changes will impair either the post-merger company's ability to perform under existing contracts or its ability to bid on new contracts that require security clearances of company's personnel.

SERVICE QUALITY:

With regard to Utah, the Applicants agree that the post-merger company will not seek waiver from the requirements of R. 746-340, sections 8 and 9, for two years following the date of the close of the merger.

EXHIBIT H

SETTLEMENT AGREEMENT AND RELEASE OF CLAIMS

THIS SETTLEMENT AGREEMENT AND RELEASE OF CLAIMS is entered into between Qwest Corporation ("Qwest") and Westel, Inc ("Westel"), this 15th day of November, 2010.

Whereas, Westel purchases telecommunications services from Qwest pursuant to the terms of Qwest's effective tariffs filed both with the Arizona Corporation Commission and the Federal Communications Commission, and in the course of their business dealings disputes have arisen; and

Whereas, Westel claims and Qwest disputes that Qwest disconnected Westel's tariffed services for nonpayment unlawfully, and Westel further claims and Qwest disputes the applicability of certain tariff charges for reconnection; Whereas, Qwest denies liability for the Claims defined in this Settlement Agreement and Release, and

Whereas, Qwest desires to settle the Claims to avoid the uncertainty and expense of litigation, based upon and subject to the terms of this Settlement Agreement and Release;

Whereas, Westel desires to settle the Claims to avoid the uncertainty and expense of litigation, based upon and subject to the terms of this Settlement Agreement and Release.

In consideration of the premises and covenants made herein, Qwest and Westel agree:

1. As used herein, the term "Claims" shall mean all claims and demands asserted or unasserted by Westel against Qwest for liability for losses, damages, costs and expenses, of any kind and description, direct, indirect or consequential, arising out of telecommunications services delivered to Westel by Qwest in 2009, including but not limited to (a) the disconnection of such services, the adequacy of advance notice of disconnection, the re-establishment of such services after disconnection, and all the rates and charges assessed; (b) the quality of services provided; (c) alleged statements made by Qwest's employees to Westel, its customers, or members of the public with regard to the foregoing; and alleged violation of tariff conditions or applicable regulations. "Claims" shall include all such claims and demands, whether based in tort, contract, equity, or some other theory, and regardless of whether existing under common law or statute. Without limiting the foregoing, "Claims" shall include all matters set forth a letter dated February 23, 2010, from Westel's counsel Joan S. Burke to Qwest's counsel Norman G Curtright

2. Qwest shall provide an immediate credit to Westel in the amount of \$12,500, which may be applied to current or future invoices for services provided by Qwest to Westel.

3. Westel, does hereby forever release and discharged Qwest, its successors, assigns, parent company, direct subsidiaries, and affiliates from liability with respect to the Claims.

4. Westel and Qwest acknowledge and agree that neither the acceptance of the release referenced in Section 3 above, nor the negotiation, execution and performance of this Agreement will be deemed to be, or used as, an admission of liability, wrongdoing or responsibility by or on the part of Qwest. This Agreement is limited to the settlement of the Claims identified above.

5. This Settlement Agreement and Release constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they related in any way to the subject matter hereof. Each of the parties acknowledges that none of the parties or attorney of any of the parties has made any promise, representation, or warranty whatsoever, express or implied, not contained in this Settlement Agreement and Release concerning the subject matter to induce such party to execute this Settlement Agreement and Release, and acknowledges that such party is not executing this Agreement in reliance on any promise, representation or warranty not contained in this Agreement.

6. This Agreement may be executed in counterparts. Each counterpart shall be considered an original and such counterparts shall together constitute one and the same instrument.

7. Westel shall immediately withdraw its intervention in Arizona Corporation Commission Docket T-01051B-10-0194 *et al.*

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement and Release as of the date first written above.

QWEST CORPORATION

WESTEL, Inc.

By: _____

By: JOHN ILGEN

Name: _____

Name: JOHN ILGEN

Title: _____

Title: VICE PRESIDENT OF
SALES & MARKETING

4. Westel and Qwest acknowledge and agree that neither the acceptance of the release referenced in Section 3 above, nor the negotiation, execution and performance of this Agreement will be deemed to be, or used as, an admission of liability, wrongdoing or responsibility by or on the part of Qwest. This Agreement is limited to the settlement of the Claims identified above.

5. This Settlement Agreement and Release constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they related in any way to the subject matter hereof. Each of the parties acknowledges that none of the parties or attorney of any of the parties has made any promise, representation, or warranty whatsoever, express or implied, not contained in this Settlement Agreement and Release concerning the subject matter to induce such party to execute this Settlement Agreement and Release, and acknowledges that such party is not executing this Agreement in reliance on any promise, representation or warranty not contained in this Agreement.

6. This Agreement may be executed in counterparts. Each counterpart shall be considered an original and such counterparts shall together constitute one and the same instrument.

7. Westel shall immediately withdraw its intervention in Arizona Corporation Commission Docket T-01051B-10-0194 *et al.*

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement and Release as of the date first written above.

QWEST CORPORATION

WESTEL, Inc.

By: Norman Curtright

By: _____

Name: Norman Curtright

Name: _____

Title: Associate General Counsel

Title: _____

EXHIBIT I



CenturyLink™

November 19, 2010

Jennifer Hightower
Vice President, Regulatory Affairs
Law & Policy Group
Cox Communications, Inc.
1400 Lake Hearn Drive
Atlanta, GA 30319

Re: CenturyLink/Qwest Transaction

Dear Ms. Hightower:

The purpose of this letter is to memorialize the terms and understanding among CenturyLink, Inc. ("CenturyLink"), Qwest Communications International, Inc. ("QCI") ("Joint Applicants"), and Cox Communications, Inc. ("Cox") in satisfaction of the issues raised by Cox before the Arizona Corporation Commission and the Nebraska Public Service Commission regarding the CenturyLink and Qwest Transaction.¹ In consideration of the Agreement outlined herein, and without modification, Cox agrees that its objections, issues and proposed conditions raised in Arizona and Nebraska related to the Transaction are resolved through this negotiated compromise and, therefore, that the Transaction should be approved by the Arizona Corporation Commission and Nebraska Public Service Commission as in the public interest. Cox further agrees that it will no longer participate before the Federal Communications

¹ See Joint Notice and Application of Qwest Corporation, Qwest Communications Company, LLC, Qwest LD Corp., Embarq Communications, Inc. d/b/a/ CenturyLink Communications, Embarq Payphone Services, Inc. d/b/a/ CenturyLink, and CenturyTel Solutions, LLC for Approval of the Proposed Merger of their Parent Corporations Qwest Communications International Inc. and CenturyTel, Inc., Docket No. T-01051B-10-0194; T-02811B-10-0194; T-04190A-10-0194; T-20443A-10-0194; T-03555A-10-0194; T-03902A-10-0194 (Arizona Application); Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for Approval of Indirect Transfer of Control of Qwest Corporation, Qwest Communications Company, LLC, and Qwest LD Corporation, Application No. C-4280 (Nebraska Application), and description of the Plan of Merger contained therein ("Transaction").

Jennifer Hightower
November 19, 2010
Page 2

Commission regarding this Transaction² and will offer no advocacy (directly or indirectly) contrary to this Agreement before the FCC or state commissions.

Cox agrees that the terms set forth in the Integra Settlement entered into on November 6, 2010 and attached hereto satisfactorily resolves the issues of Cox in Arizona and Nebraska. To the extent applicable, references to "Integra" or "CLECs" within the terms of the Integra Settlement will be deemed to be references to "Cox" for purposes of the understanding memorialized in this letter. For avoidance of doubt, CenturyLink and Qwest agree that the terms of the Integra Settlement will apply in all states within Qwest Corporation's fourteen-state incumbent territory where Cox presently has operations as well as any states where Cox becomes certified to do business or does business. In addition, CenturyLink acknowledges that the terms of paragraphs 1, 6, 9, 11, 13 and 15 as to the Merged Company apply in all states in which it operates an ILEC.

Nothing in this agreement shall prevent Cox from obtaining the benefit of any additional FCC conditions not addressed in this Agreement, whether they are based on voluntary commitments by the merging parties or conditions mandated by the FCC. In addition, if any FCC terms or conditions are inconsistent with this Agreement, Cox, at its sole discretion, has the choice of the terms and conditions set forth herein or those applicable to CLECs contained in the FCC's order approving the Transaction, except to the extent such FCC condition is state-specific or such choice is not permitted by the FCC order. Nothing in this Agreement will preclude Cox from benefitting from commitments or conditions approved by the Arizona or Nebraska commissions or any other state commission consistent with the terms of paragraph 15 of the attached Integra Settlement.

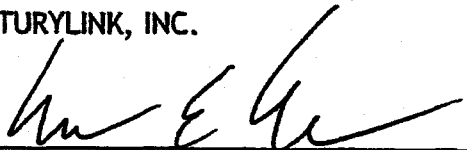
Within 30 days of the closing date, Qwest Corporation and Cox further agree to execute an amendment to their Interconnection Agreements in Arizona and Nebraska that will have the effect of extending the existing terms related to sub-loop access at MDUs for an additional 4 years, for an additional payment of \$75,000 to be paid upon the expiration of the current sub-loop agreement.

Please confirm that this letter accurately describes your understanding and agreement to these terms by signing in the space provided below, and return the executed copy to the attention of Linda Gardner. The parties agree that this Agreement is not confidential and that it will be filed with the Arizona Corporation Commission and the Nebraska Public Service Commission upon execution.

² See, *Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc., d/b/a CenturyLink for Consent to Transfer of Control*, WC Dkt. No. 10-110 (rel. May 28, 2010) and description of the Plan of Merger contained therein ("Transaction").

Jennifer Hightower
November 19, 2010
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CENTURYLINK, INC.


By: William E. Cheek,
President Wholesale Operations

Dated:

QWEST COMMUNICATIONS INTERNATIONAL, INC.

By: R. Steven Davis,
Sr VP—Public Policy & Government Relations

Dated:

COX COMMUNICATIONS, INC.

By: Jennifer Hightower,
VP- Regulatory Affairs, Law & Policy Group

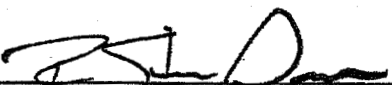
Dated:

Jennifer Hightower
November 19, 2010
Page 3

CENTURYLINK, INC.

By: William E. Cheek,
President Wholesale Operations
Dated:

QWEST COMMUNICATIONS INTERNATIONAL, INC.



By: R. Steven Davis,
Sr VP—Public Policy & Government Relations
Dated: *Nov. 19, 2010*

COX COMMUNICATIONS, INC.

By: Jennifer Hightower,
VP- Regulatory Affairs, Law & Policy Group
Dated:

Jennifer Hightower
November 19, 2010
Page 3

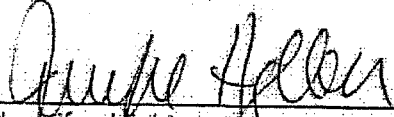
CENTURYLINK, INC.

By: William E. Cheek,
President Wholesale Operations
Dated:

QWEST COMMUNICATIONS INTERNATIONAL, INC.

By: R. Steven Davis,
Sr VP—Public Policy & Government Relations
Dated:

COX COMMUNICATIONS, INC.


By: Jennifer Hightower,
VP/Regulatory Affairs, Law & Policy Group
Dated:

11/19/2010

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this 6th day of November, 2010, by and among CenturyLink, Inc., a Louisiana Corporation ("CenturyLink"), and its affiliates, Qwest Communications International, Inc. ("QCI"), a Delaware Corporation, and its affiliates, including Qwest Corporation, Integra Telecom, Inc., an Oregon Corporation, and its affiliates (collectively "Integra" or "CLEC(s)") with operations in the state of Arizona, Colorado, Idaho, Minnesota, Montana, North Dakota, Oregon, Utah, and Washington, among others. To the extent that Integra becomes certified to do business or does business in Iowa, Nebraska, New Mexico, South Dakota, and Wyoming during the time periods covered by this Agreement, this Agreement will also apply. CenturyLink, QCI and Integra may be referred to collectively as the "Parties."

Whereas, CenturyLink and QCI have entered into an Agreement and Plan of Merger, dated April 21, 2010, which, upon completion, will result in QCI becoming a wholly owned subsidiary of CenturyLink ("Transaction").

Whereas, the Transaction requires the approval of the Federal Communications Commission ("FCC") and various state commissions in states where CenturyLink, QCI, or Integra operate, among other approvals.

Whereas, CenturyLink and QCI have filed applications for authorization to effectuate the Transaction at the FCC and in several states, including in the states of Arizona, Colorado, Iowa, Nebraska, Minnesota, Montana, Oregon, Utah, and Washington.

Whereas, Integra intervened in the state commission review proceedings in Arizona, Colorado, Minnesota, Montana, Oregon, Utah, and Washington, and filed or presented testimony expressing concerns related to the Transaction. Integra also made filings with the FCC raising similar concerns, objections, and proposed conditions and has presented its concerns regarding the Transaction to various Legislators.

Whereas, the Parties have reached a mutually agreeable settlement of Integra's concerns, objections, and proposed conditions regarding the Transaction such that Integra believes that with this Agreement, and without modification or addition to its terms, the Transaction is in the public interest from Integra's perspective and should be approved by the FCC and the state commissions.

In consideration of the mutual representations and covenants contained herein, the Parties hereby agree as follows:

A. Definitions:

“Closing Date” or “Merger Closing Date” refers to the closing date of the Transaction for which the Applicants have sought approval from the FCC and state commissions.¹

“Merged Company” refers to the post-merger company (CenturyLink and its operating companies, collectively, after the Closing Date).

“Operational Support Systems” or “OSS” are as defined by 47 CFR 51.319(g) and as interpreted in the rules and orders of the FCC.

“OSS Interfaces” are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services (local exchange services) provided by CLECs to their end users.

“Qwest Corporation” and “Qwest” refer to Qwest Corporation and its successors and assigns.

B. Terms:

1. The Merged Company will not recover, or seek to recover through wholesale service rates or other fees paid by CLECs: a) one-time transition, branding, or any other transaction-related costs; b) any acquisition premium paid by CenturyLink for QCI; and c) any increases in overall management costs that result from the transaction, including those incurred by the operating companies. For purposes of this condition, “transaction-related costs” shall be construed to include all Merged Company costs related to or resulting from the transaction and any related transition, conversion, or migration costs and, for example, shall not be limited in time to costs incurred only through the Closing Date.
2. In the legacy Qwest ILEC service territory, the Merged Company shall comply with all wholesale performance requirements and associated remedy or penalty regimes for all wholesale services, including those set forth in regulations, tariffs, interconnection agreements, and Commercial agreements applicable to legacy Qwest as of the Merger Closing Date. In the legacy Qwest service territory, the Merged Company shall continue to provide to CLECs at least the reports of wholesale performance metrics that legacy Qwest made available, or was required to make available, to CLECs as of the Merger Closing Date,

¹ See Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc., d/b/a/ CenturyLink for Consent to Transfer of Control, Pleading Cycle Established, Public Notice, DA 10-993, WC Dkt. No. 10-110 (rel. May 28, 2010) (“Public Notice”) and related applications filed in state proceedings.

or as subsequently modified or eliminated as permitted under this Agreement or pursuant to any changes in law. The Merged Company shall also provide these reports to state commission staff or the FCC, when requested. The state commission and/or the FCC may determine that additional remedies are required, to the extent a state commission or FCC finds it is consistent with its jurisdiction. The Merged Company does not waive its right to oppose such a request.

a. The Parties will not seek to reduce or modify the Qwest Performance Indicator Definition (PID) or Qwest Performance Assurance Plan (QPAP)² that is offered, or provided via contract or Commission approved plan, as of the Merger Closing Date for at least eighteen months after the Closing Date.³ After the eighteen month period, the Parties may seek modifications under the terms and conditions outlined in the QPAP. The Merged Company will not seek to eliminate or withdraw the QPAP for at least three years after the Closing Date. The QPAP will be available to all requesting CLECs unless the Merged Company obtains approval from the applicable state commission to eliminate or withdraw it.

i. For at least three years after the Closing Date, and consistent with the FCC's required conditions of the Embarq-CenturyTel merger, in the legacy Qwest ILEC service territory, the Merged Company shall meet or exceed the average wholesale performance provided by Qwest to CLEC, measured as follows:

(a.) For the first three months after Closing Date, Qwest's performance will be compared to Qwest's performance for the twelve months prior to Closing Date.

(b.) Thereafter, each successive month of Qwest's performance will be added to the three month period in (a.) in determining Qwest's performance until twelve months after Closing Date.

(c.) Beginning one year after Closing Date, Qwest's performance will be measured by a rolling twelve month average performance.

b. If the Merged Company fails to provide wholesale performance levels as measured by the methodology described in this condition, the Merged Company must

² In Colorado, the QPAP is known as the CPAP. In Minnesota, the QPAP is known as the MPAP. These state-specific terms will be used in agreements filed in Colorado and Minnesota.

³ The limitations of paragraph 2.a.do not apply to implementation of any decision arising from Colorado Docket No. 02M-259T. In addition, the parties agree not to initiate any further action in North Dakota Docket No. PU-08-04, until at least eighteen months after the Closing Date, however the Parties may implement any decision arising from that docket. Qwest will implement Idaho Order No. 32106 in Case No. QWE-T-08-04. The Parties agree, however, that they will jointly request that the Idaho Commission take no further action in that docket until at least eighteen months after the Closing Date.

conduct a root cause analysis for the discrepancies and develop proposals to remedy each deficiency within thirty days and provide this to CLEC for review and comment.

i. CLEC may invoke the root cause procedure for deterioration in wholesale performance for any PID, product, or disaggregation included within a PID measure if CLEC determines that the performance it received for that PID, product, or disaggregation is materially different and provides the basis for CLEC's determination.

ii. If performance deficiencies are not resolved, CLEC may request a resolution or wholesale service quality proceeding before the state commission. The Merged Company does not waive its right to oppose such a request.

3. Notwithstanding any provision allowing one or both parties to Qwest interconnection agreements, Commercial agreements, Wholesale agreements, interstate tariffs, and intrastate tariffs, and other wholesale agreements between Qwest Corporation or its successors and assigns and CLEC ("Extended Agreements") to terminate the Extended Agreement upon or after expiration of the term of the agreement, the Merged Company shall not terminate or grandparent, change the terms or conditions, or increase the rates of any Extended Agreements during the unexpired term or for at least the Applicable Time Period identified below, whichever occurs later (the "Extended Time Period"), unless required by a change of law, or CLEC requests or agrees in writing to a change and any applicable procedure to effectuate that change is followed. In the event that the Extended Agreement expressly allows termination of the agreement in other circumstances, such as default due to non-payment, this Condition does not preclude termination of an Extended Agreement in those circumstances provided that the Merged Company follows both (1) the Extended Agreement's express provisions, and (2) any applicable procedures pertaining to such termination. Upon approval of the Transaction with this Agreement in the public record, the Parties will consider these terms to be part of the order of approval and thus not trigger or require the filing of an ICA amendment, unless directed otherwise by the commissions or FCC. To the extent an amendment is requested, the Parties agree to execute and file an amendment to the ICA within 30 days of the Closing Date, the terms of which will mirror the language in this Agreement, unless mutually agreed otherwise.

a. Interconnection Agreements. The Applicable Time Period for Qwest's interconnection agreements (ICAs) is at least thirty-six months after the Closing Date.⁴ The Extended Time Period applies whether or not the initial or current term has expired or is in evergreen status.

⁴ Notwithstanding anything that may be to the contrary in paragraphs 3,3a, and 4, in Colorado where a cost docket is nearing completion but may not be final as of the Closing Date, the rates established in Colorado cost docket

- i. The Merged Company shall allow CLEC to use its pre-existing interconnection agreement as the basis for negotiating an initial successor replacement interconnection agreement to the extended ICA. Where the parties agree it is reasonable to do so, the parties may incorporate the amendments to the existing agreement into the body of the agreement used as the basis for such negotiations of the initial successor replacement interconnection agreement.
 - ii. CLEC may opt-in to an interconnection agreement in its initial term or the extended term.
 - iii. If Qwest and CLEC are in negotiations for a replacement interconnection agreement before the Closing Date, the Merged Company will allow CLEC to continue to use the negotiations draft upon which negotiations prior to the Closing Date have been conducted as the basis for negotiating a replacement interconnection agreement. In the latter situation (ongoing negotiations), after the Closing Date, the Merged Company will not substitute a negotiations template interconnection agreement proposal of any legacy CenturyLink operating company for the negotiations proposals made before the Closing Date by legacy Qwest.
- b. Commercial Agreements. The Applicable Time Period for Commercial agreements is at least eighteen months after the Closing Date for Qwest's Commercial agreements (i.e., offerings made available after a UNE(s) becomes unavailable via ICA): Broadband for Resale, Commercial Broadband Services (QCBS), Commercial Dark Fiber, High Speed Commercial Internet Service (HSIS), Local Services Platform (QLSP), Internetwork Calling Name (ICNAM), and Commercial Line Sharing, as well as any other Commercial agreement to which Qwest and CLEC were parties as of the Closing Date. Notwithstanding any provision to the contrary in this Agreement:
- i. After the eighteen month period, Qwest reserves the right to modify rates.
 - ii. If a Commercial agreement later becomes unavailable on a going forward basis, the agreement will remain available to CLEC on a grandparented basis to serve CLEC's embedded base of customers already being served via services purchased under that Commercial agreement, subject to Qwest's right to modify

number 07A-211T will replace the corresponding rates in Qwest-CLEC Colorado ICAs as of the Closing Date for purposes of this paragraph 3; nor does the paragraph prevent implementation of the rates contemplated in paragraph 14.

rates, for at least eighteen months after Qwest has notified CLEC that the agreement is no longer available.

c. Wholesale Agreements. The Applicable Time Period for Wholesale agreements is at least eighteen months after the Closing Date for Qwest's Wholesale agreements (*i.e.*, offerings made available after a tariffed offering becomes unavailable via tariff): Wholesale Data Services Agreement (ATM, Frame Relay, GeoMax, HDTV-Net, Metro Optical Ethernet, Self-Healing Network, Synchronous Service Transport), as well as any other Wholesale agreement to which Qwest and CLEC were parties as of the Closing Date. Notwithstanding any provisions to the contrary in this Agreement:

- i. After the eighteen month period, Qwest reserves the right to modify rates.
- ii. If a Wholesale agreement later becomes unavailable on a going forward basis, the agreement will remain available to CLEC on a grandparented basis to serve CLEC's embedded base of customers already being served via services purchased under that Wholesale agreement for at least eighteen months after Qwest has notified CLEC that the agreement is no longer available, subject to Qwest's right to modify rates.

d. Tariffs. The Applicable Time Period is at least twelve months after the Closing Date for Qwest wholesale tariff offerings that CLEC ordered from Qwest via tariff as of the Closing Date. Notwithstanding any provision to the contrary in this Agreement, Qwest may engage in Competitive Response pricing as set forth in its tariffs.

- i. Regarding term and volume discount plans, such plans offered by Qwest as of the Closing Date will be extended by twelve months beyond the expiration of the then existing term, unless CLEC indicates it opts out of this one-year extension.

- ii. The Merged Company will honor any existing contracts for services on an individualized term pricing plan arrangement for the duration of the contracted term.

4. Rates Generally. The Merged Company, in paragraph 3, agrees not to increase the rates in Qwest interconnection agreements during the Extended Time Period⁵. If, during the

⁵ Notwithstanding anything that may be to the contrary in paragraphs 3, 3a, or 4, in Colorado where a cost docket is nearing completion but may not be final as of the Closing Date, the rates established in Colorado cost docket number 07A-211T will replace the corresponding rates in Qwest-CLEC Colorado ICAs as of the Closing Date for purposes of this paragraph; nor does the paragraph prevent implementation of the rates contemplated in paragraph 14.

Extended Time Period, the Merged Company offers a Section 251 product or service that is not offered under an interconnection agreement (a "new" product or service), the Merged Company may establish a rate using normal procedures. A product, service, or functionality is not "new" for purposes of this paragraph if Qwest was already providing that product, service, or functionality at existing rates as of the Closing Date in the legacy Qwest ILEC serving territory.

- a. Regarding rates changed via a state commission cost docket, the Merged Company may initiate a cost docket (or seek rate increases in a cost docket initiated by another party) before the expiration of the thirty-six month period for extension of ICA terms only if (i) the rate elements, charges or functionalities are not already provided under rates as of the Closing Date as described in paragraph 4; or (ii) the cost docket is not initiated until at least eighteen months after the Closing Date and any rates approved in the cost docket will not become effective until after expiration of the thirty-six month period for extension of ICA terms.
 - b. After the Closing Date, in the legacy Qwest ILEC serving territory, the Merged Company shall not assess any fees, charges, surcharges or other assessments upon CLECs for activities that arise during the subscriber acquisition and migration process other than any fees, charges, surcharges or other assessments that were approved by the applicable commission and charged by Qwest in the legacy Qwest ILEC service territory before the Closing Date, unless Qwest first receives Commission approval. This condition prohibits the Merged Company from charging such fees, charges, surcharges or other assessments, including:
 - i. Service order charges assessed upon CLECs submitting local service requests ("LSRs") for number porting;
 - ii. Access or "use" fees or charges assessed upon CLECs that connect a competitor's own self-provisioned loop, or last mile facility, to the customer side of the Merged Company's network interface device ("NID") enclosure or box; and
 - iii. "Storage" or other related fees, rents or service order charges assessed upon a CLECs' subscriber directory listings information submitted to the Merged Company for publication in a directory listing or inclusion in a directory assistance database.
5. In the legacy Qwest ILEC service territory, to the extent that an interconnection agreement is silent as to an interval for the provision of a product, service or functionality or refers to

Qwest's website or Service Interval Guide (SIG), the applicable interval, after the Closing Date, shall be no longer than the interval in Qwest's SIG as of the Closing Date. Either Party may request an amendment to the interconnection agreement to lengthen an interval after the thirty-six month period for extension of ICA terms.

6. CenturyLink and all of its incumbent local exchange carrier ("ILEC") affiliates will comply with 47 U.S.C. Sections 251 and 252. In the legacy Qwest ILEC service territory, the Merged Company will not seek to avoid any of its obligations on the grounds that Qwest Corporation is exempt from any of the obligations pursuant to Section 251(f)(1) or Section 251(f)(2) of the Communications Act.
7. In the legacy Qwest ILEC service territory, after the Closing Date, Qwest Corporation shall be classified as a Bell Operating Company ("BOC"), pursuant to Section 3(4)(A)-(B) of the Communications Act and shall be subject to all requirements applicable to BOCs, including Sections 271 and 272.
8. Qwest will not seek to reclassify as "non-impaired" any Qwest wire centers for purposes of Section 251 of the Communications Act, nor will the Merged Company file any new petition under Section 10 of the Communications Act seeking forbearance from any Section 251 or 271 obligation or dominant carrier regulation in any Qwest wire center before June 1, 2012.
9. The Merged Company shall provide to wholesale carriers, and maintain and make available to wholesale carriers on a going-forward basis, up-to-date escalation information, contact lists, and account manager information and will provide this information, when possible, thirty days prior to the Closing Date. If not possible, the Merged Company will provide the information within five business days, absent exigent circumstances. For changes to support center location, the Merged Company will provide at least thirty days advance written notice to wholesale carriers. For other changes, the Merged Company will provide reasonable notice, as circumstances permit, of the changes and will keep pertinent information timely updated. The information and notice provided shall be consistent with the terms of applicable interconnection agreements.
10. The Merged Company will make available to each wholesale carrier in the legacy Qwest ILEC service territory the types and level of data, information, and assistance that Qwest made available as of the Closing Date concerning Qwest's wholesale Operational Support Systems functions and wholesale business practices and procedures, including information provided via the wholesale web site (which Qwest sometimes refers to as its Product Catalog or "PCAT"), notices, industry letters, the change management process, and databases/tools (loop qualification tools, loop make-up tool, raw loop data tool, ICONN database, etc.).

11. The Merged Company shall ensure that Wholesale and CLEC operations are sufficiently staffed and supported, relative to wholesale order volumes, by personnel, including IT personnel, adequately trained on the Qwest and CenturyLink systems and processes. With respect to the Wholesale and CLEC operations, such personnel shall be dedicated exclusively to wholesale operations so as to provide a level of service that is not materially less than that which was provided by Qwest prior to the Merger Closing Date and to ensure that CLEC protected information is not used by the Merged Company's retail operations or marketing purposes. The Merged Company will employ people who are dedicated to the task of meeting the needs of CLECs and other wholesale customers.

12. In legacy Qwest ILEC service territory, after the Closing Date, the Merged Company will use and offer to wholesale customers the legacy Qwest Operational Support Systems (OSS) for at least two years, or until July 1, 2013, whichever is later, and thereafter provide a level of wholesale service quality that is not materially less than that provided by Qwest prior to the Closing date, including support, data, functionality, performance, electronic flow through, and electronic bonding. After the period noted above, the Merged Company will not replace or integrate Qwest systems without first establishing a detailed transition plan and complying with the following procedures:
 - a. Detailed Plan. The Merged Company will provide notice to the Wireline Competition Bureau of the FCC, the state commission of any affected state and parties to this agreement at least 270 days before replacing or integrating Qwest OSS system(s). Upon request, the Merged Company will describe the system to be replaced or integrated, the surviving system, and steps to be taken to ensure data integrity is maintained. The Merged Company's plan will also identify planned contingency actions in the event that the Merged Company encounters any significant problems with the planned transition. The plan submitted by the Merged Company will be prepared by information technology professionals with substantial experience and knowledge regarding legacy CenturyLink and legacy Qwest systems processes and requirements. CLEC will have the opportunity to comment on the Merged Company's plan in a forum in which it is filed, if the regulatory body allows comments, as well as in the Qwest Change Management Process.

 - b. CMP. The Merged Company will follow the procedures in the Qwest Change Management Process ("CMP") Document.⁶

⁶ The Qwest CMP Document is available at <http://www.qwest.com/wholesale/cmp/>

c. Replacement or Retirement of a Qwest OSS Interface.

i. The replacement or retirement of a Qwest OSS Interface may not occur without sufficient acceptance of the replacement interface by CLECs to help assure that the replacement interface provides the level of wholesale service quality provided by Qwest prior to the Closing Date (as described in paragraph 12 above). Each party participating in testing will commit adequate resources to complete the acceptance testing within the applicable time period. The Parties will work together to develop acceptance criteria. Testing will continue until the acceptance criteria are met. Sufficient acceptance of a replacement for a Qwest OSS Interface will be determined by a majority vote, no vote to be unreasonably withheld, of the CMP participants (Qwest and CLECs) in testing, subject to any party invoking the CMP's Dispute Resolution process. The requirements of this paragraph will remain in place only until completion of merger-related OSS integration and migration activity. If a dispute arises as to whether such merger-related OSS integration and migration activity is complete, the state commission will determine the completion date.

ii. The Merged Company will allow coordinated testing with CLECs, including a stable testing environment that mirrors production, jointly established test cases, and, when applicable, controlled production testing, unless otherwise agreed to by the Parties. Testing described in this paragraph associated with merger-related system replacement or integration will be allowed for the time periods in the CMP Document, or for 120 days, whichever is longer, unless otherwise mutually agreed to by the Parties.

iii. The Merged Company will provide the wholesale carriers training and education on any wholesale OSS implemented by the Merged Company without charge to the wholesale carrier.

d. Billing Systems. The Merged Company will not begin integration of Billing systems before the end of the minimum two year or July 1, 2013 period, whichever is longer, noted above, or without following the above procedures, unless the integration will not impact data, connectivity and system functions that support or affect CLECs and their customers. .

i. Any changes by the Merged Company to the legacy Qwest non-retail OSS will meet all applicable ICA provisions related to billing and, to the extent not included in an ICA, will be Ordering and Billing Forum (OBF) compliant.

13. After the Closing Date, the Merged Company will engineer and maintain its network in compliance with federal and state law, as well as the terms of applicable interconnection agreements.
 - a. The Merged Company shall not engineer the transmission capabilities of its network in a manner, or engage in any policy, practice, or procedure, that disrupts or degrades access to the local loop, as provided by 47 C.F.R. § 51.319(a)(8).
 - b. The Merged Company will retire copper in compliance with federal and state law, as well as the terms of applicable interconnection agreements and as required by a change of law.
14. No later than 30 days after the Closing Date, the Parties agree to amend its existing Qwest-CLEC interconnection agreements by executing the line conditioning amendment contained in Attachment A to this Agreement and by filing the amendment with the applicable state commissions. The terms of the amendment will be included in the ICAs between the Parties for the Extended Time Period contemplated in paragraph 3, unless required by a change in law. Notwithstanding anything to the contrary in this Agreement, the Parties agree to implement the rates, terms and conditions of the amendment upon execution and applicable commission approval of the amendment. The Parties agree to execute and file the amendment within 10 days of execution of this Agreement for Qwest-CLEC Minnesota ICAs and further agree to implement the terms of the amendment no later than January 15, 2011 in Minnesota. Upon execution of this Agreement, CLEC agrees that this amendment satisfies its concerns on line conditioning expressed in Minnesota Docket No. P-421/CI-09-1066 and that it will seek no further relief on this issue in that docket. Nothing in this Agreement precludes Qwest and CLEC from filing the Amendment for commission approval in any other state before the Closing Date, if Qwest and CLEC mutually agree to do so.
15. After fully executed, filed with and, where necessary, approved by a Commission, this Agreement will be made available to any requesting carrier. Additionally, if an order approving this transaction includes any condition not contained in this Agreement or includes provisions inconsistent with those contained in this Agreement, the Merged Company will make that condition or provision available to other carriers in that state upon request, to the extent applicable.

C. Process for Treatment of Agreement:

The Parties agree that this Agreement resolves all contested issues, objections, proposed conditions and other advocacy related specifically to this Transaction as between them. Integra agrees that this Agreement, without modification or addition, is in the public interest.

Consequently, from its perspective, Integra believes that the Transaction is in the public interest and should be approved by the FCC and state commissions. The Parties acknowledge that this Agreement is not confidential and further agree to the issuance of a joint press release announcing that an Agreement has been reached and that, in consideration of this Agreement, approval of the Transaction is in the public interest from Integra's perspective. The Parties further agree to immediately notify the FCC and the state commissions upon execution that this Agreement has been reached and will provide a courtesy copy of this Agreement. This Agreement shall be filed with the state commissions in the states of Arizona, Colorado, Minnesota, Montana, Oregon, Utah and Washington⁷ and any other states where required, within five business days of execution. Integra further commits that, upon request of CenturyLink and QCI, that within 10 days of execution, a representative of Integra with knowledge of this Agreement will accompany CenturyLink and QCI to meetings at the FCC or with members of Congress or their staff to explain that this Agreement, without modification or addition, is in the public interest from Integra's perspective and the Transaction should be approved.

Where testimony filed by one or both of the Integra witnesses has not yet been admitted into evidence and the procedural schedule and rules of a regulatory body permit, Integra will seek leave to withdraw or not submit into the evidentiary record the prefiled testimony of the Integra witnesses in that state, subject to Integra's right to file or re-file testimony as provided in this Agreement. Integra agrees it will represent that this Agreement adequately addresses its concerns and proposed conditions contained in its pre-filed testimony and will represent that, from its perspective, with this Agreement, the Transaction is in the public interest and should be approved. Furthermore, if required by a regulatory body or requested by CenturyLink, Integra will provide a witness to support this Agreement and will testify that with this Agreement, without modification, approval of the Transaction as in the public interest from its perspective. To the extent required by a regulatory body, Integra also agrees to provide such other information in support of this Agreement and approval of the Transaction. No Party to this Agreement will engage in any advocacy (directly or indirectly) contrary to this Agreement. Integra will not advocate for any other party's proposed wholesale conditions or opposition to the Transaction before any regulatory body, or otherwise, except as provided for in this Agreement regarding modification, rejection, or enforcement of this Agreement. Integra will no longer retain QSI Consultants, or any other consultant, as consultants or witnesses in a proceeding reviewing the Transaction after the date this Agreement is executed and filed in that proceeding, unless this Agreement is modified over Integra's objection or rejected. To the extent the consultants, witnesses, and outside counsel represent other intervenors before the FCC and the state commissions, Integra will inform them, as well as the FCC and those state commissions, that they are no longer representing Integra, nor advocating for Integra's positions, unless otherwise retained, at Integra's option, consistent with Integra's obligation under this Agreement.

⁷ To the extent necessary to comply with a given state filing convention, the Parties agree to work cooperatively to present this Agreement in the appropriate format, without change in content.

In the event any portion of this Agreement is rejected or altered by a state regulatory body, Integra may submit or re-submit its pre-filed testimony in that jurisdiction. In the event this Agreement is modified or rejected, each Party reserves its right, upon written notice to the Commission and the parties within five (5) business days of the Commission's Order modifying or rejecting this Agreement, to withdraw from this Agreement as to that particular state, with the effect of respectfully requesting the Commission decide all contested issues based on the record, including any testimony that had been withdrawn or not filed due to the execution of this Agreement.

D. Entire Agreement:

This Agreement constitutes the Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understandings or agreements on such matters that previously existed or occurred in any proceeding related to this Transaction, and no such prior understanding or agreement or related representations shall be relied upon by the Parties.

E. Agreement As Precedent:

The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty and delay. Nothing in this Agreement (or any testimony, presentation or briefing in any proceeding to approve the Transaction) shall be asserted or deemed to mean that a Party agreed with or adopted another Party's legal or factual assertions related to this Transaction. The limitations in this paragraph shall not apply to any proceeding to enforce the terms of this Agreement or any commission order adopting this Agreement in full, as appropriate.

Furthermore, because this Agreement represents a compromise position of the Parties no Party may use this Agreement as precedent on the appropriateness of the positions of that other Party or of other intervenors in any other proceeding and no conduct, statements or documents disclosed in the negotiation of this Agreement (not including non-privileged, publicly available documents) shall be admissible as evidence in any other proceeding.

F. Effective Date:

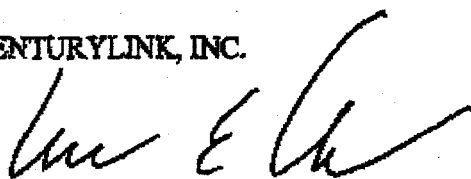
This Agreement is effective upon execution, however, the Settlement Terms contained in Section B shall not become effective unless and until the Transaction closes. If the Transaction does not close, this Agreement and Settlement Terms are null and void.

G. Manner of Execution:

This Agreement is considered executed when all Parties sign this Agreement. A designated and authorized representative may sign this Agreement on a Party's behalf. The Parties may execute this Agreement in counterparts. If this Agreement is executed in counterparts, all counterparts shall constitute one agreement. A faxed or scanned and emailed signature page containing the signature of a Party is acceptable as an original signature page signed by that Party. Each Party shall indicate the date of its signature on this Agreement.

Dated this 6th day of November 2011.

CENTURYLINK, INC.



By: William E. Cheek, President Wholesale Operations

Dated:

QWEST COMMUNICATIONS INTERNATIONAL, INC.

By: R. Steven Davis,
Senior Vice President—Public Policy & Government Relations

Dated:

INTEGRA TELECOM, INC.

By: James H. Huesgen, President

Dated:

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Dated:

QWEST COMMUNICATIONS INTERNATIONAL, INC.



By: R. Steven Davis,
Senior Vice President—Public Policy & Government Relations
Dated:

INTEGRA TELECOM, INC.

By: James H. Huesgen, President
Dated:

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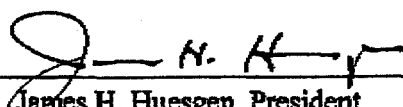
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By: R. Steven Davis,
Senior Vice President—Public Policy & Government Relations
Dated:

INTEGRA TELECOM, INC.


By: James H. Huesgen, President
Dated:

					Notes				
					Approved	Disputed	Not		
					Rate	Rate	Recording		
9.0 Unbundled Network Elements (UNE)									
9.2 Unbundled Loops									
9.2.2 Nonloaded Loops									
9.2.2.4 Cable Unloading / Bridge Tap Removal									
9.2.2.4.1 Conditioning									
9.2.2.4.2 Remove All Conditioning									
							\$250.00		+++ ++++
NOTES:									
+++ Negotiated Rate ++++ When the Commission approved rate is greater than \$250, the Commission approved rate will be used for Remove All Conditioning.									

ATTACHMENT 2:
Qwest NC/NCI Code Combinations for LX-N and LXR- xDSL Capable Loops¹

NC Code	NCI Code		BRIEF DESCRIPTION
	Qwest CO-NI	Customer EU-NI	
ADVANCED DIGITAL TRANSPORT – SPECTRUM MANAGEMENT COMPATIBLE			
LX-N	02QB5.001	02DU5.001	Spectrum Management Class 1
LX-N	02QB5.002	02DU5.002	Spectrum Management Class 2
LX-N	02QB5.003	02DU5.003	Spectrum Management Class 3
LX-N	04QB5.003	04DU5.003	Spectrum Management Class 3
LX-N	02QB5.004	02DU5.004	Spectrum Management Class 4
LX-N	02QB9.005	02DU9.005	Spectrum Management Class 5
LX-N	02QB9.006	02DU9.006	Spectrum Management Class 6
LX-N	02QB5.007	02DU5.007	Spectrum Management Class 7
LX-N	02QB5.008	02DU5.008	Spectrum Management Class 8
LX-N	02QB9.009	02DU9.009	Spectrum Management Class 9
LX-N	04QB5.00F	04DU5.00F	Spectrum Management HDSL4. Technology Specific. Transmission System
LX-N	02QB5.00G	02DU5.00G	Spectrum Management G. SHDSL, E.SHDSL Technology specific. Transmission System
LX-N	04QB5.00G	04DU5.00G	Spectrum Management G. SHDSL Technology Specific. Transmission System
LX-N	02QB5.00S	02DU5.00S	Spectrum Management 281QSDSL.

¹ References to a type of xDSL Service (e.g., ADSL, HDSL) are general and include successive xDSL Services (e.g., ADSL2+, HDSL2).

NC Code	NCI Code		BRIEF DESCRIPTION
	Qwest CO-NI	Customer EU-NI	
			Technology Specific Transmission System
LX-N	04QB5.00S	04DU5.00S	Spectrum Management 281QSDSL. Technology specific. Transmission System
DIGITAL SUBSCRIBER LINE BASIC RATE ISDN – DSL (ISDN BRI) COMPATIBLE			
LX-N	02QC5.00S	021S5.N	Digital Subscriber Line with 2B1Q Signaling Format Compatible Loop
HIGH-BIT-RATE DIGITAL SUBSCRIBER LINE (HDSL) COMPATIBLE			
LX-N	02QB9.00H	02DU9.00H	HDSL and HDSL2 Compatible Loop, Metallic Facility
LX-N	04QB9.00H	04DU9.00H	HDSL and HDSL2 Compatible Loop, Metallic Facility
ASYMMETRIC DIGITAL SUBSCRIBER LINE (ADSL) COMPATIBLE			
LXR-	02QB9.00A.	02DU9.00A	Revised Resistance Design (RRD)n Non-Loaded Loop with ANSIT1.413 DMT Signaling Format
LXR-	02QB9.01A	02DU9.01A	RRD, Non-Loaded Loop with ANSIT1.413 DMT Signaling Format and one POTS Channel
LXR-	02QB9.00C	02DU9.00C	RRD, Non-Loaded Loop with CAP Signaling Format
LXR-	02QB9.01C	02DU9.01C	RRD, Non-Loaded Loop with CAP Signaling Format one POTS Channel
UNBUNDLED DISTRIBUTION LOOPS			
LX-N	02QE5.001	02DU5.001	Distribution Loop, without loading coils, Spectrum Management Class 1
LX-N	02QE5.002	02DU5.002	Distribution Loop, without loading coils, Spectrum Management Class 2
LX-N	02QE5.003	02DU5.003	Distribution Loop, without loading coils, Spectrum Management Class 3

NC Code	NCI Code		BRIEF DESCRIPTION
	Qwest CO-NI	Customer EU-NI	
LX-N	02QE5.004	02DU5.004	Distribution Loop, without loading coils, Spectrum Management Class 4
LX-N	02QE9.005	02DU9.005	Distribution Loop, without loading coils, Spectrum Management Class 5
LX-N	02QE9.006	02DU9.006	Distribution Loop, without loading coils, Spectrum Management Class 6
LX-N	02QE5.007	02DU5.007	Distribution Loop, without loading coils, Spectrum Management Class 7
LX-N	02QE5.008	02DU5.008	Distribution Loop, without loading coils, Spectrum Management Class 8
LX-N	02QE9.009	02DU9.009	Distribution Loop, without loading coils, Spectrum Management Class 9
LX-N	02QE9.005	02DUM.LS5	Distribution Loop, without loading coils, Spectrum Management Class 5 and one POTS Channel

**ATTACHMENT 3:
xDSL CAPABLE LOOP PERFORMANCE PARAMETER TESTS**

Note: As between Attachment 1 and Attachment 3, the terms of Attachment 1 control, should any discrepancy or apparent discrepancy be identified. See Attachment 1 regarding Conditioning.

Required Tests	Expected Field Measurement Results	Notes
Loop Length	Actual (Capacitive)	
Load Coils	None	
Opens	None	
Grounds	None	
Shorts	None	
Bridge Tap	<p>LX-N Maximum: Total Length <2500 ft Single Tap Length < 2000ft</p> <p>LXR- Maximum: Total Length <2500 ft Single Tap Length < 2000 ft No Near End /Far End BT(>1000 ft)</p> <p>Remove All Maximum: None</p>	See Exclusions
1004 Hz Loss	< -8.5dBm	
196 kHz Loss	<p>Actual Measured Loss (AML): Maximum AML = EML + 5 dB</p> <p>LX-N Maximum dB Loss: 2- wire (e.g., NCI codes of 02QB9.00H and 02QB5.00G) <28.dB</p> <p>4- wire (e.g, NCI codes of 04QB9.00H, 04QB5.00G, and 04QB9.00F) <31.dB</p> <p>LXR- Maximum dB Loss: LXR- <78.dB</p>	<78 dB if such limit is within test set capability
40 kHz Loss	ISDN BRI <40.dB	
Insulation Resistance	<p>Tip – Ground > 3.3 Meg Ohms Ring – Ground > 3.3 Meg Ohms Tip – Ring > 3.3 Meg Ohms</p>	

Foreign Voltage - DC	Tip - Ground < 8 VDC Ring - Ground < 8 VDC Tip - Ring < 8 VDC	
Foreign Voltage - AC	Tip - Ground < 50VAC Ring to Ground < 50VAC	
Noise (C - Message)	< 23 dBmC Far end 600 Ohm Termination	< 20 dBmC Acceptable, >20 < 30 dBmC Marginal, > 30 Unacceptable
Noise (C - Notch)	< 45 dB	1004 Hz, 0 dBm Transmit
Line Balance	< to 10%	The length of the Tip side of the line compared to the length of the Ring to 10% difference
Longitudinal Balance	965 Type Meter <= <= 50 dB @ 196khz Other Meters <= 40 dB @ 196khz	
Power Influence	<=90 dBmC	
D-Mark Tagged	Yes	

EXHIBIT

J



February 4, 2011

Paul B. Jones
Executive Vice President
tw telecom
10475 Park Meadows Dr.
Littleton, CO 80124

RE: CenturyLink/Qwest Transaction

Dear Paul:

The purpose of this letter is to memorialize the terms and understanding among CenturyLink, Inc. ("CenturyLink"), Qwest Communications International, Inc. ("QCI") ("Joint Applicants"), and tw telecom ("tw telecom") in satisfaction of the issues raised by tw telecom before state regulatory commissions and the Federal Communications Commission ("FCC") regarding the proposed acquisition by CenturyLink of Qwest (the "Transaction").¹ In consideration of the Agreement outlined herein, tw telecom agrees that its objections, issues and proposed conditions related to the Transaction are resolved. Tw telecom agrees it will offer no advocacy (directly or indirectly) contrary to this Agreement or otherwise participate in the regulatory review of the Transaction to advance objections, issues or proposed conditions related to the Transaction or potential consequences of the Transaction. For avoidance of doubt, it is understood and acknowledged that either Party may continue to participate in pending and future FCC proceedings regarding, among other issues, special access pricing and performance quality, and Ethernet pricing and service quality, except that, *in doing so*, tw telecom will not address the Transaction or potential consequences of the Transaction. To the extent permitted, tw telecom further agrees that it will withdraw its intervention, testimony, briefs, and other advocacy in opposition to the Transaction before the state public utility commissions and the FCC.

¹ See, *Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc., d/b/a CenturyLink for Consent to Transfer of Control*, WC Dkt. No. 10-110 (rel. May 28, 2010) and description of the Plan of Merger contained therein ("Transaction"); and corresponding state applications.

Paul B. Jones, Executive Vice President
tw telecom
Page 2 of 4

Tw telecom has elected to opt-into the terms of the November 6, 2010 Integra Settlement.² Tw telecom agrees that the terms of the Integra Settlement, together with the following clarifications, modifications or additional commitments, satisfactorily resolve the issues of tw telecom. To the extent there is an inconsistency between the terms of the Integra Settlement and the following, the following terms will control:

1) In the legacy Qwest ILEC service territory, the Merged Company shall continue to provide to tw telecom at least the reports of wholesale performance metrics that legacy Qwest made available, or was required to make available, to tw telecom as of the Merger Closing Date for a period of no less than two years.

2) In the legacy Qwest ILEC service territory, the Merged Company shall continue to provide to tw telecom, under the same terms, the quality of service performance comparable to that which Qwest provided to tw telecom for special access and long haul services as of the Merger Closing Date for a period of no less than two years from the Merger Closing Date.

3) In the legacy Qwest ILEC service territory, the Merged Company shall continue to participate in special access service and long haul performance review meetings with tw telecom at the same frequency level as provided as of the Merger Closing Date for a period of no less than two years from the Merger Closing Date.

4) In the legacy Qwest ILEC service territory, the Merged Company shall extend the Qwest Regional Commitment Plan (RCP) currently opted into by tw telecom through the Merger Closing Date, including its currently effective term, volume, and rate stability commitments, and for another twelve months beyond the expiration of the then existing term or May 31, 2013, whichever is later, unless tw telecom indicates it opts out of this extension.³

5) The Merged Company shall continue to provide IP peering consistent with the terms and obligations of the Bi-lateral Peering Agreement as of the Merger Closing Date for a period of twenty-four months from the Merger Closing Date, provided that tw telecom meets all the requirements outlined in the Agreement and otherwise complies with the traffic ratios outlined in Qwest's

² To the extent applicable, references to "Integra" or "CLECs" within the terms of the Integra Settlement will be deemed to be references to "tw telecom" for purposes of the understanding memorialized in this letter.

³ If the Transaction is not closed by May 31, 2011, the Parties agree to renegotiate the date in order to provide a comparable extension to tw telecom.

Paul B. Jones, Executive Vice President
tw telecom
Page 3 of 4

peering policy found at http://www.qwest.com/legal/peering_na.html as published on the date of this Agreement. Qwest agrees not to change the peering policy published on its website after execution of this Agreement and prior to the Merger Closing Date. In addition, the Merged Company and tw telecom shall jointly work on capacity upgrades at no greater than 80% utilization per circuit or logical circuit bundle to be completed prior to 90% utilization to ensure customer traffic and performance is not adversely impacted.

6) The Merged Company shall continue to offer an Annual Incentive Plan (AIP) program to tw telecom through December 31, 2013. The AIP for 2012 and the AIP for 2013 shall be offered under the same basic terms and conditions in effect as of the Merger Closing Date, subject to the renegotiation of the base revenue, credit tiers, and discounts annually.

Additionally, nothing in this Agreement shall prevent tw telecom from obtaining the benefit of any inconsistent or additional FCC, or state commission condition imposed in that state, whether they are based on voluntary commitments by the merging parties or conditions mandated by the FCC or state commission, or otherwise. Moreover, both Parties acknowledge and agree that there is nothing in the Integra Settlement or the specific terms of this Agreement that limits either Party's right to enforce the provisions of this Agreement in an appropriate forum of competent jurisdiction, which may include a state commission, FCC, state or federal court, as appropriate and consistent with its jurisdiction. In the event that either Party reasonably believes in good faith that the other Party has materially breached the provisions of this Agreement, the Party must provide written notice specifying the breach and providing a 30-day period to cure, during which time any applicable limitations period shall be tolled. If not cured, the non-breaching Party may initiate an appropriate action before a court of competent jurisdiction, the state commission or FCC, to the extent the court, FCC or state commission finds it consistent with its jurisdiction. Such remedy is not exclusive. In addition, neither Party waives its right to oppose such a request, claim, or action.

Please confirm that this letter accurately describes your understanding and agreement to these terms by signing in the space provided below, and return the executed copy to the attention of Linda Gardner. Parties may execute the Agreement in counterparts and all counterparts shall constitute one agreement. A faxed, or scanned and emailed, signature page containing the signature of a Party is acceptable as an original signature page signed by that party. This Agreement is considered executed when all Parties sign below. The Parties agree that this Agreement is not

Paul B. Jones, Executive Vice President
tw telecom
Page 4 of 4

confidential and that it will be filed with the state and federal commissions, as appropriate, upon execution.

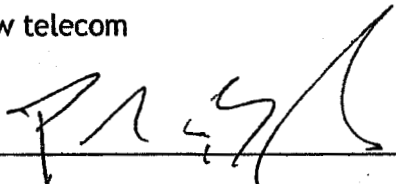
CENTURYLINK, INC.

By: William E. Cheek, President Wholesale Operations
Dated:

QWEST COMMUNICATIONS INTERNATIONAL INC.

By: R. Steven Davis, Sr VP—Public Policy & Government Relations
Dated:

tw telecom



By: Paul B. Jones, Executive Vice President
Dated: February 4, 2011

Paul B. Jones, Executive Vice President
tw telecom
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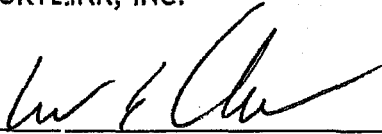
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tw telecom

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