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OPEN MEETING AGENDA ITEM

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
DOCKETED
APR 1 4 2004
DOCKETED BY

IN THE MATTER QWEST CORPORATION'S COMPLIANCE WITH SECTION 252(e) OF THE TELECOMMUNICATIONS ACT OF 1996	DOCKET NO. RT-00000F-02-0271
IN THE MATTER OF U S WEST COMMUNICATIONS, INC.'S COMPLIANCE WITH SECTION 271 OF THE COMMUNICATIONS ACT OF 1996	DOCKET NO. T-00000A-97-0238
ARIZONA CORPORATION COMMISSION, Complainant, v. QWEST CORPORATION, Respondent.	DOCKET NO. T-01051B-02-0871 **NOTICE OF FILING SETTLEMENT AGREEMENT**

Qwest Corporation ("Qwest"), AT&T Communications of the Mountain States, Inc. ("AT&T"), Time Warner Telecom Inc., and Arizona Dialtone, Inc. ("the Parties") hereby file the attached proposed Settlement Agreement ("Agreement") of certain Dockets currently pending before the Arizona Corporation Commission ("Commission"), specifically Docket No. RT-00000F-02-0271 (the "252(e) Unfiled Agreements Docket"); Docket No. T-00000A-97-0238 (the "271 Subdocket"); and Docket No. T-01051B-02-0871 (the "Order to Show Cause Docket") (collectively the "Enforcement Dockets").

In January of this year, the Arizona Corporation Commission Staff ("Staff") gave notice to all participants in the Enforcement Dockets that Staff would host a meeting to explore the potential for settlement. In ensuing weeks and months, meetings and conference calls were convened to discuss settlement. The face-to-face meetings were facilitated by Utilities Division Director, Ernest Johnson. Staff provided a telephone bridge to allow parties that could not attend in person to participate in the meetings. While the specific proposals and responses shared at these meetings are confidential, we can report that the meetings were well attended by representatives of Qwest, RUCO, CLECs and Staff. Additionally, parties were frank in discussing their respective positions and responsive when asked by Staff to list all critical settlement issues.

The undersigned Parties found these meetings very helpful. The attached Agreement is a product of those meetings. Although we were unable to reach agreement with all interested participants, the Parties sought to reach settlement on as many issues, and with as many participants, as possible. Additionally, although this Agreement is between four of the active participants in the settlement negotiations, the CLEC benefits described in the Agreement are generally available to all eligible CLECs.

The attached Agreement is remarkably similar in structure to the agreement filed by Staff and Qwest on July 25, 2003 ("Prior Agreement"). Essentially, the new Agreement eliminates the voluntary contributions and increases the fine Qwest must pay to the State by the amount of the voluntary contributions. Under the Prior Agreement Qwest committed to pay a fine of 5.197 million dollars and promised voluntary contributions of 6.0 million dollars. Fines and voluntary contributions under the Prior Agreement totaled 11.197 million dollars. Under the attached Agreement Qwest will pay a fine of 11.0 million dollars. The maximum CLEC compensation figure under the Prior Agreement was 8.9 million dollars in 251(b) and (c) services credits, .66 million dollars in access line credits, and .55 million dollars in UNE-P credits, for a total of 10.11 million

dollars in CLEC compensation. The attached Agreement pays a maximum of 11.7 million dollars in CLEC compensation, but distributes the funds in a matter that is more satisfactory to the CLEC participants. The total cost of settlement to Qwest under the attached Agreement is 22.7 million dollars. The total cost of settlement to Qwest under the Prior Agreement was 21.317 million dollars. The Prior Agreement was opposed by all CLEC parties and rejected by the Administrative Law Judge in her Recommended Opinion and Order dated December 1, 2003.

Arizona Dialtone, AT&T, and Time Warner Telecom were active participants in the Enforcement Dockets. MTI was also an active participant in the settlement negotiations and has chosen not to sign-on to the attached Agreement. The undersigned parties believe that the attached Agreement represents a fair and balanced resolution of the issues raised by the Enforcement Dockets and that it is in the public interest. The undersigned parties are also confident that the attached Agreement will find wide support among other CLECs operating in Arizona. Because the Agreement is in the public interest and resolves the issues raised in the Enforcement Dockets, the Parties ask that the Agreement be approved.

RESPECTFULLY SUBMITTED this 14th day of April, 2004

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SETTLEMENT AGREEMENT

Qwest Corporation ("Qwest" or "the Company") AT&T Communications of the Mountain States, Inc., Time Warner Telecom, Inc. and Arizona Dialtone, Inc. ("the Parties") hereby agree to a settlement (the "Settlement Agreement" or "this Agreement") of certain Dockets currently pending before the Arizona Corporation Commission ("Commission"), specifically Docket No. RT-00000F-02-0271 (the "252(e) Unfiled Agreements Docket"); Docket No. T-00000A-97-0238 (the "271 Subdocket"); and Docket No. T-01051B-02-0871 (the "Order to Show Cause Docket"). These Dockets shall be collectively referred to in this Agreement as the "Litigation." The following terms and conditions are intended to resolve all of the issues raised in or associated with the Litigation.

RECITALS

WHEREAS, the Parties desire to adopt this Agreement subject to Commission approval;

WHEREAS, by adopting this Agreement, the Parties intend to settle and terminate the Litigation in a manner that is fair and reasonable;

WHEREAS, the 252(e) Unfiled Agreements Docket involved allegations that Qwest violated Section 252(e) of the Telecommunications Act of 1996 by failing to file for Commission review and approval certain agreements with Competitive Local Exchange Carriers ("CLECs") operating in the State of Arizona;

WHEREAS, the 271 Subdocket involved allegations that Qwest improperly entered into settlement agreements with CLECs that resulted in the nonparticipation by such CLECs in the Commission proceeding to evaluate Qwest's application under Section 271 of the Telecommunications Act of 1996, all without the Commission's knowledge; and that Qwest thereby interfered with the 271 regulatory process;

WHEREAS, the Order to Show Cause Docket involved allegations that Qwest failed to implement the wholesale rate changes as ordered in Commission Decision No. 64922 within a reasonable period of time, that Qwest failed to notify the Commission of this rate implementation delay, that Qwest failed to obtain Commission approval of the delay, and that Qwest's wholesale rate change system is unreasonably slow and inefficient;

WHEREAS, Qwest acknowledges, without admitting any wrongdoing, the concerns raised regarding the allegations that are the subject of the Litigation and expresses its regret over the events leading to the Litigation and, without admitting wrongdoing, Qwest states its intention to comply fully in the future with all written laws, rules, regulations and orders governing Qwest's conduct;

WHEREAS, Qwest avows that it is the policy and commitment of the Company to conduct all of its business affairs in the State of Arizona with integrity, honesty, in conformance with Arizona laws and regulations and with respect for the regulatory processes of the Commission.

WHEREAS, Qwest also acknowledges, without admitting any wrongdoing, concerns raised by the parties, including Staff, regarding allegations that its behavior was designed to intentionally deceive and misrepresent certain facts before the Commission. Further, without admitting any wrongdoing, Qwest avows that the Company and its official representatives will not engage in fraudulent, deceptive or intentionally unlawful conduct in any matters pending before the Commission.

WHEREAS, Qwest acknowledges that Commission approval of this Settlement Agreement shall constitute a Commission decision directing that Qwest implement the provisions of this Settlement Agreement, which are intended to assure future compliance with respect to the filing requirements of Section 252(e) of the Telecommunications Act of 1996, to assure timely implementation of future cost dockets, and to assure that Qwest files with the Commission any settlement agreement with a telecommunications carrier that would result in the carrier not participating in any generic docket of industry-wide general concern pending before the Commission. Qwest further acknowledges that violations of a decision by the Commission approving the provisions of this Settlement Agreement may be punished by contempt after notice and a hearing as provided by A.R.S. Section 40-424;

WHEREAS, as detailed in this Agreement, Qwest shall apply monies and provide restitution to resolve the events leading to the Litigation, as well as implement procedures and accede to independent monitoring, thereby demonstrating the commitment of corporate management to comply with and to address the Commission's stated concerns that Qwest is to comply with the filing requirements of Section 252(e) of the Telecommunications Act, implement cost docket decisions in a timely manner, and apprise the Commission of any settlement with a telecommunications carrier that would result in the carrier not participating in any generic docket of industry-wide general concern before the Commission;

WHEREAS, although Qwest denies any wrongdoing, the parties agree that the terms and conditions of this Agreement, including but not limited to, the Aggregate Cash Payment and CLEC Payments, each as hereinafter defined, are fair, reasonable and in the public interest;

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

TERMS AND CONDITIONS

1. AGGREGATE CASH PAYMENT.

Qwest agrees to pay an Aggregate Cash Payment Amount of $11,000,000 to the State of Arizona. Qwest agrees to pay the Aggregate Cash Payment Amount to the State Treasurer within 30 days of the Effective Date of the Commission's Decision approving this Agreement.

2. CLEC PAYMENTS

Qwest further agrees to provide CLEC Payments to the CLECs in the total amount of $11,700,000 in the form of a one-time credit to Eligible CLECs in the amounts set forth on Confidential Attachment A. Qwest will provide a copy of Confidential Attachment A to the Staff within five (5) days of the Effective Date of the Commission Decision approving this Settlement Agreement. The Parties agree that the method for calculating the amounts on Confidential Attachment A and the amount allocated to each Eligible CLEC on Confidential Attachment A are confidential and will not be disclosed without the written permission of Qwest and the Eligible CLECs. The parties further agree that the method of calculating amounts on Confidential Attachment A and the amount allocated to each Eligible CLEC on Confidential Attachment A may not be used for any purpose in any proceeding in this state or any other federal or state jurisdiction.

Eligible CLECs shall include all CLECs certificated and operating in the State of Arizona that purchased unbundled network elements or other 251(b) and (c) services during the period January 1, 2001 through June 30, 2002, with the exception of the following carriers and their affiliates: Eschelon Telecom, Inc., McLeodUSA, Inc., High Performance Communications, and Qwest Corporation. In addition, Eligible CLECs shall not include CLECs that have filed for

relief under federal bankruptcy laws since January 1, 2001, and have released any claims they might have against Qwest relating to or arising from the Litigation as part of that bankruptcy.

Qwest shall issue such credits or payments due under this provision to all Eligible CLECs who have executed the Release identified herein within 60 days of the Effective Date of the Commission's Decision approving this Settlement Agreement. If an Eligible CLEC executes a Release subsequent to the Effective Date of the Commission's Decision approving this Agreement, Qwest shall issue such credit or payment due to the Eligible CLEC under this provision within 60 days of Qwest's receipt of that CLEC's executed Release. CLECs no longer purchasing services from Qwest shall receive the CLEC Payments in the form of a cash payment. Credits received by an Eligible CLEC pursuant to this paragraph 2 may be applied by that CLEC to services purchased by that CLEC from Qwest within its 14-state region.

To obtain the credit or cash payment, an Eligible CLEC shall be required to execute a Release, in the form of Attachment B, of any and all intrastate claims of the CLEC and its affiliates, subsidiaries, and parents against Qwest, arising out of any of the agreements, acts, or omissions at issue in the 252(e) Unfiled Agreements Docket (Docket No.: RT-00000F-02-0271) and the 271 Subdocket (Docket No. T-00000A-97-0238) and Docket No. T-01051B-02-0871 (the "Order to Show Cause Docket").

The amount of CLEC Payments shall not exceed $11,700,000 for the Eligible CLECs identified on Attachment A. In the event an appeal is taken from the Commission's Decision approving this Settlement Agreement and the courts enter a final judgment that can be appealed no further modifying or setting aside any aspect of the Order relating to CLEC Payments, the terms of the Release, or increasing the amount to be paid by Qwest to the State, CLECs or any other party, the CLECs shall refund to Qwest the amounts credited or paid to them within 60

days. Should any such refund be required, the Release also becomes null and void. Qwest further agrees that the limitations period for any claims covered under the Release but reinstated by the Release becoming null and void shall be considered tolled from the date the Release is executed until the date the Release becomes null and void.

Qwest agrees to provide notice to all Eligible CLECs of the Settlement Agreement within 30 days of the Effective Date of the Commission's Decision approving the Settlement Agreement and Attachment B. Attachment A will not be distributed by Qwest. Upon request, Qwest will provide any Eligible CLEC with a copy of the Settlement Agreement. Upon receipt of an Eligible CLEC's request, Qwest will confidentially advise the Eligible CLEC of the amount of CLEC Payments that would be owed to it under this Agreement, if the Eligible CLEC chooses to execute a Release hereunder. Prior to disclosing the amount of CLEC Payments to an Eligible CLEC, Qwest will require the Eligible CLEC to agree to maintain the confidentiality of the amount of CLEC Payments and the manner in which the amount was determined. The amount disclosed to each Eligible CLEC will be the amount included on Confidential Attachment A.

3. REPORT ON CLEC PAYMENTS.

Within 120 days from the Effective Date of the Commission's Decision approving this Settlement Agreement, Qwest shall submit a written report to Staff demonstrating that it has paid the CLEC Payments in the manner provided in Paragraph 2 above. Qwest shall provide any additional reasonable information as may be requested by the Staff in determining that such CLEC Payments was issued in a proper and timely manner. Qwest shall submit CLEC-specific information to Staff on a confidential basis.

4. RETENTION OF INDEPENDENT MONITOR.

Within 90 days of the Effective Date of the Commission's Decision approving this Settlement Agreement, Qwest agrees to retain and thereafter pay for an independent third-party monitor, selected by the Director of the Commission's Utilities Division with input from Qwest, to conduct an annual review of the Qwest Wholesale Agreement Review Committee for a period of three years from the Effective Date of the Commission's Decision approving the Settlement Agreement. Staff shall determine the scope of the annual independent review with input from Qwest and interested parties. The Monitor must be able to demonstrate that he or she can offer an independent opinion, that no conflicts of interest will result from his or her selection and that he or she has not testified in a docket in Arizona involving Qwest in the past three years. Qwest may terminate its retention of the Monitor prior to the end of the three-year period only upon the written consent of the Director of the Commission's Utilities Division.

5. COMPLIANCE TRAINING.

Qwest agrees to continue its Compliance Training Program for existing and new employees in the Local Network Services, Wholesale Markets, Product Management, Public Policy, and Law Departments for a minimum period of three years from the Effective Date of the Commission's Decision approving the Settlement Agreement. The Compliance Training Program is an internal web-based training program on compliance with Section 252(e) of the Telecommunications Act of 1996.

6. OPT-IN FOR ELIGIBLE CLECS.

Any CLEC currently certificated and operating in Arizona may opt-in to the non-monetary provisions relating to Section 251(b) and (c) services of any agreement listed on Table 1 of the pre-filed Direct Testimony of Staff Witness Kalleberg in Docket No. RT-00000F-02-0271. In exercising opt-in, however, the CLEC must satisfy the criteria under Section 252(i), including but not limited to, assuming any and all related terms in the agreement it chooses.

If a dispute between Qwest and the CLEC arises regarding the eligibility of the CLEC to opt-in to certain provisions of any agreement, Qwest and/or the CLEC may submit a request for a Commission determination in Phase II of Commission Docket No. RT-00000F-02-0271.

7. WITHDRAWAL OF FEDERAL APPEAL.

Qwest further agrees to voluntarily move to dismiss with prejudice its appeal of the Commission's Opinion and Order issued on June 12, 2002, Decision No. 64922, in *Investigation Into Qwest Corporation's Compliance with Certain Wholesale Pricing Requirements for Unbundled Network Elements and Resale Discounts*, Phase II, ACC Docket No. T-00000A-00-0194 that it filed in the United States District Court for the District of Arizona (Case No. CIV 02-1626 (PHX-SRB), captioned *Qwest Corporation v. Arizona Corporation Commission, et al.* ("the Appeal") within 30 days of the Effective Date of the Commission's Decision approving the Settlement Agreement.

Until its filing for dismissal described in the preceding paragraph is made with the court, Qwest agrees to seek whatever extensions of time are necessary and to inform the court that a settlement has been entered into with the Commission that would result in dismissal of the

Appeal. The Parties agree to support Qwest's motions to dismiss the Appeal, and any extensions of time which Qwest requests.

Each party to the Appeal, however, will be required to bear its own attorneys' fees and costs incurred therein.

8. RETENTION OF CONSULTANT FOR IMPLEMENTATION OF WHOLESALE RATES.

Qwest further agrees that within 120 days of the Effective Date of the Commission's Decision approving this Settlement Agreement, Qwest shall retain and thereafter pay for an independent third-party consultant selected by the Director of the Commission's Utilities Division with input from Qwest (the "Consultant"). Qwest's obligation to pay the billings of the Consultant shall be limited to a total payment of no more than $150,000. Staff shall determine the scope of the Consultant's work with input from Qwest and interested parties. The Consultant shall provide independent assessments to the Commission and its Staff of improvements made to automate Qwest's wholesale rate implementation processes. The Consultant shall provide recommendations on further process changes with the goal of mechanizing of Qwest's wholesale implementation processes, to the extent technologically and economically feasible. Qwest agrees to meet with Staff to discuss the economic and practical feasibility of implementing the recommendations contained in such reports. Qwest shall retain the Consultant for a period of three years from the Effective Date of the Commission's Decision approving this Settlement Agreement but may terminate its retention of the Consultant prior to the end of the three-year period only upon the written consent of the Director of the Commission's Utilities Division.

9. COST DOCKET GOVERNANCE TEAM.

Qwest agrees to continue its Cost Docket Governance Team for a period of three years from the Effective Date of the Commission's Decision approving the Settlement Agreement. The Cost Docket Governance Team is a team comprised of executive level personnel from organizations within Qwest with primary involvement and responsibility for wholesale cost docket implementation in Arizona. Those organizations include: Wholesale Product Management, Wholesale Service Delivery, and Public Policy. The purpose of the team is to provide both an oversight role and to serve as an escalation point for issues or obstacles that may arise during the implementation process. Qwest may dissolve the Cost Docket Governance Team before the end of the three-year period only with the Director of Utilities' written consent.

10. NOTIFICATION OF WHOLESALE RATE CHANGES TO COMMISSION AND CLECS.

Qwest further agrees to provide prompt written notification to its wholesale customers in Arizona of changes in their wholesale rates upon the occurrence of any of the following events: (a) the issuance of a final Commission decision changing wholesale rates, which contains updated wholesale rate sheets; and (b) the appearance of the new Commission-approved wholesale rates on customer bills. Qwest shall promptly provide information to the Commission and Staff concerning the status and time frames for implementation of future changes in wholesale rates.

Qwest shall meet and confer with Staff one year after the Effective Date of the Commission's Decision approving the Settlement Agreement concerning: (a) the status of Qwest wholesale rate implementation in Arizona; (b) current industry expectations relative to wholesale rate implementation; and (c) Qwest business practices relative to wholesale rate

implementation and the negotiation of interconnection agreements with other Arizona telecommunications carriers.

11. WHOLESALE RATE IMPLEMENTATION.

Qwest shall file its initial compliance filing including a numeric price list within 14 days of a recommended opinion and order that proposes Commission adoption of new wholesale rates. If Qwest determines that additional time is necessary to complete the filing based on good cause, such as the absence of essential information in the recommended opinion and order to permit numeric wholesale rates to be calculated or a need to restructure the applicable cost model, Qwest shall apply to the Commission for an extension of time to make the compliance filing. Qwest shall implement prospectively all ordered wholesale rates within 60 days from the entry of the final Commission decision approving such rates and setting forth the numeric wholesale rates to be implemented. Qwest will use its best efforts to determine the numeric rates resulting from any Commission's modifications to the recommended opinion and order in a timely fashion, for inclusion in a final Commission decision approving new wholesale rates and setting forth numeric wholesale rate changes. Within 60 days from the entry of a final Commission decision approving new wholesale rates and setting forth new numeric wholesale rates to be implemented, Qwest shall perform all necessary back-billing back to the effective date of the Commission's decision setting forth the new numeric rates. Qwest may petition the Commission for additional time to implement these rates in the event there are circumstances beyond Qwest's control that necessitate additional time for implementation, and the Commission shall not withhold approval of such request upon good cause shown.

12. FILING OF SETTLEMENT AGREEMENTS.

Commencing on the Effective Date of the Commission's Decision approving the Settlement Agreement, Qwest shall docket with the Commission any settlement agreement reached in a Commission docket of general application within 10 days from execution of the settlement agreement. On July 1, 2004, and for three years from the Effective Date of the Commission's Decision approving the Settlement Agreement, Qwest shall submit to Staff a written statement attesting to the fact that Qwest either has not reached any settlement agreements in Commission dockets of general application for the applicable year, or has docketed such settlement agreements with the Commission.

13. EFFECTIVE DATE.

The "Effective Date" as used in this Agreement shall mean the date by which the Commission's Decision approving this Settlement Agreement becomes effective by the expiration of the periods set forth in A.R.S. Section 40-253 for the filing and consideration of an application for rehearing.

14. DISMISSAL OF LITIGATION.

Issuance of the Commission's Decision approving this Settlement Agreement shall constitute full and final resolution of the Litigation, and the Decision shall include an order terminating and closing Phase I of Docket No. RT-00000F-02-0271 (the 252(e) Unfiled Agreements Docket); Docket No. T-00000A-97-0238 (the 271 Subdocket); and Docket No. T-01051B-02-0871 (the Order to Show Cause Docket).

15. COMMISSION APPROVAL AND SEVERABILITY.

Each provision of this Agreement is in consideration and support of all other provisions, and expressly conditioned upon acceptance and approval by the Commission without change. Unless the Parties to this Agreement otherwise agree, in the event that the Commission does not accept and approve this Agreement according to its terms, then it shall be deemed withdrawn by the Parties, and the Parties shall be free to pursue their respective positions in the Litigation without prejudice.

16. COMPROMISE.

This Agreement represents the Parties' mutual desire to compromise and settle all disputed intrastate claims at issue in the Litigation in a manner consistent with the public interest and based upon the pre-filed testimony and exhibits and the evidentiary record developed in the Litigation. This Agreement represents a compromise of the positions of the Parties. Acceptance of this Agreement is without prejudice to any position taken by any party in the Litigation.

17. PRIVILEGED AND CONFIDENTIAL COMMUNICATIONS.

All negotiations relating to or leading to this Agreement are privileged and confidential, and no party is bound by any position asserted in negotiations, except to the extent expressly stated in this Agreement. As such, evidence of conduct or statements made in the course of negotiation of this Agreement are not admissible as evidence in any proceeding before the Commission, any other regulatory agency or any court.

18. COMPLETE AGREEMENT.

This Agreement represents the complete agreement of the Parties. There are no understandings or commitments other than those specifically set forth herein. The Parties

acknowledge that this Agreement resolves all issues that were raised in the Litigation and is a complete and total settlement between the Parties of the Parties' intrastate claims.

19. SUPPORT AND DEFEND.

Each Signatory Party will support and defend this Agreement and any order entered by the Commission approving this Agreement and oppose any Proposed Amendment to this Agreement before the Commission or other regulatory agency or before any court in which it may be at issue. Nothing herein shall be construed as an obligation to become a party to a proceeding solely to support or defend the Agreement.

20. APPEALS AND CHANGE OF LAW.

The Parties believe that this Settlement Agreement is in the public interest and lawful. Nothing herein shall be construed as prohibiting Qwest from obtaining a refund of the Cash Payment from the State Treasury made pursuant to Paragraph 1 of the Settlement Agreement, or from conditioning the tender of the Cash Payment to the State Treasury upon the right to a refund, if a party other than Qwest appeals the Commission's Decision approving this Settlement Agreement and if the court of the highest jurisdiction to which the matter is appealed should ultimately find in a final, nonappealable order that the Settlement Agreement is unlawful or that the Commission Decision approving the Settlement Agreement is reversed. If such condition precludes the acceptance of the Cash Payment by the State Treasury, then the Cash Payment under Paragraph 1 of this Settlement Agreement shall be placed in an interest-bearing escrow account at a financial institution that is mutually agreed to by Staff and Qwest. If no appeal of the Commission Decision approving the Settlement Agreement is filed by a party other than Qwest or if the Court ultimately enters a final, nonappealable order finding the Settlement

Agreement is lawful or the Commission Decision approving the Settlement Agreement is affirmed, the principal and interest contained in the escrow account shall be paid to the State Treasury without further condition. If the court of the highest jurisdiction to which the matter is appealed ultimately finds in a final, nonappealable order that the Settlement Agreement is unlawful or the Commission Decision approving the Settlement Agreement is reversed, the principal and interest contained in the escrow account shall be returned to Qwest. If a court of lower or intermediate jurisdiction enters an order finding the Settlement Agreement is unlawful or that the Commission's Decision approving the Settlement Agreement shall be reversed, Qwest's obligations pursuant to Paragraphs 1 and 2 will be suspended until the entry of a final, nonappealable order of a higher court finding the Settlement Agreement is lawful or that the Commission Decision approving the Settlement Agreement is affirmed. The Staff shall not oppose Qwest obtaining from the State Treasury a refund of the Cash Payment or Qwest conditioning the payment of the Cash Payment to the State Treasury on the right to a refund, all as set forth in this Paragraph 20. Except as specifically provided in this Paragraph 20, Qwest shall not otherwise place conditions on the payment of the Cash Payment to the State Treasury. In the event that the State Treasury does not accept Qwest's conditional tender of the Cash Payment, Qwest agrees to negotiate in good faith with the State Treasury in an effort to reach mutually-acceptable conditions for tender of the Cash Payment prior to placing the Cash Payment in an escrow account pursuant to this Paragraph. Subject to the provisions of Paragraph 2 of this Agreement concerning repayment of CLEC Payments, should the Commission approve the Settlement Agreement without modification (including, but not limited to, modification of the amount and terms of the payments by Qwest to the State and CLECs under Paragraphs 1 and 2 of this Agreement), Qwest shall be required to make the payments in Paragraphs 1 and 2,

regardless of whether Qwest or any other party shall appeal the Commission's Decision approving the Settlement Agreement.

DATED this ____ day of _____, 2004.

QWEST CORPORATION

BY: _____

AT&T COMMUNICATIONS OF THE MOUNTAIN STATES INC.

BY: _____

TIME WARNER TELECOM, INC.

BY: _____

ARIZONA DIALTONE

BY: _____

1533364.9/67817.295

regardless of whether Qwest or any other party shall appeal the Commission's Decision approving the Settlement Agreement.

DATED this 14th day of April, 2004.

QWEST CORPORATION

BY:_____

AT&T COMMUNICATIONS OF THE
MOUNTAIN STATES INC.

BY:_____

TIME WARNER TELECOM, INC.

BY: _____

ARIZONA DIALTONE

BY: _____

1533364.9/67817.295

regardless of whether Qwest or any other party shall appeal the Commission's Decision approving the Settlement Agreement.

DATED this 14th day of APRIL, 2004.

QWEST CORPORATION

BY:_____

AT&T COMMUNICATIONS OF THE
MOUNTAIN STATES INC.

BY: _____

TIME WARNER TELECOM, INC.

BY: _____

ARIZONA DIALTONE

BY: _____

1533364.9/67817.295

regardless of whether Qwest or any other party shall appeal the Commission's Decision approving the Settlement Agreement.

DATED this 14th day of April, 2004.

QWEST CORPORATION

BY:_____

AT&T COMMUNICATIONS OF THE MOUNTAIN STATES INC.

BY: _____

TIME WARNER TELECOM, INC.

BY: _____

ARIZONA DIALTONE

BY: William D Clemons, Attorney for Arizona Dialtone, Inc.

1533364.9/67817.295

ATTACHMENT A

CONFIDENTIAL ATTACHMENT A
NOT FILED WITH PUBLIC VERSION

ATTACHMENT B

RELEASE

KNOW ALL PERSON BY THESE PRESENTS:

WHEREAS, on or about **DATE** The Arizona Corporation Commission ("Commission") approved a settlement agreement ("Agreement") between Qwest Corporation ("Qwest") and various parties with respect to dockets then pending before the Arizona Corporation Commission ("Commission"), specifically Docket No. RT-00000F-02-0271 (the "252(e) Unified Agreements; Docket No. T-00000A-97-0238 (the "271 Subdocket") and T-01051B-02-0871. These dockets shall be collectively referred to in this Agreement as the "Litigation."

WHEREAS, as part of the Agreement, certain competitive local exchange carriers certificated by the Commission to provide local exchange services in Arizona, who purchased interconnection services or unbundled network elements under Section 251(b) or (c) of the Act from Qwest may be entitled to receive CLEC Payments under the terms of this Agreement.

WHEREAS, **NAME OF CLEC**, on its own behalf and on behalf of its corporate parents, affiliates, subsidiaries, and agents, desires to receive the benefits contained therein, including execution of this Release, as referenced in Paragraph 2 of the Agreement.

1. In consideration for the payment of CLEC Payments under the Agreement, the receipt and sufficiency of which are hereby acknowledged, **NAME OF CLEC**, on its own behalf and on behalf of its corporate parents, affiliates, subsidiaries, and agents, releases any and all claims, causes of action, rights, liabilities, complaints before or to a regulatory or governmental body, suits, requests for remedies or damages, and obligations of every nature, kind or description whatsoever regardless of what legal theory based, and regardless of whether grounded in common law, statute, administrative rule or regulation, tariff, contract, tort, equity or otherwise, including, but not limited to, claims or causes of action for fraud, misrepresentation, discrimination, violation of any law of the State of Arizona, violation of any tariff, breach of contract, the violation of federal statutes, rules or regulations, which **NAME OF CLEC** had, has, may hereafter have, or which any other person had, has, or may hereafter have through **NAME OF CLEC** based in whole or in part upon any agreement, act or omission of Qwest that is the subject of the Litigation including but not limited to Qwest's failure to file agreements with the Commission for review pursuant to Section 252 of the Telecommunications Act of 1996. This Release is limited to claims arising from the actions of Qwest that are the subject of the Litigation and that relate to (1) services purchased by **NAME OF CLEC** from Qwest in the State of Arizona pursuant to Sections 251(b) or (c) of the Telecommunications Act of 1996, and (b) and all other intrastate telecommunications services purchased by **NAME OF CLEC** from Qwest, including but not limited to intrastate switched access and intrastate private line services, in the State of Arizona. The Release does not release any claims or causes of action **NAME OF CLEC** may have by

reason of any purchases of interstate telecommunication services by **NAME OF CLEC** or by any other purchaser of interstate telecommunication services.

2. This Release reflects a fully binding and complete settlement between Qwest and **NAME of CLEC**, on its own behalf and on behalf of its corporate parents, affiliates, subsidiaries, and agents, pertaining to the Litigation referenced above.

3. This Release shall be construed, interpreted, and enforced in accordance with the laws of the State of Arizona.

4. This Release represents Qwest's and **NAME OF CLEC's**, on its own behalf and on behalf of its corporate parents, affiliates, subsidiaries, and agents, mutual desire to compromise and settle all disputed intrastate claims at issue in the Litigation in a manner consistent with the public interest and based upon the pre-filed testimony and exhibits and the evidentiary record developed in the Litigation. This Release represents a compromise of the positions of Qwest's and **NAME OF CLEC's**, on its own behalf and on behalf of its corporate parents, affiliates, subsidiaries, and agents. Acceptance of this Release is without prejudice to any position taken by any party in the Litigation and none of the provisions of the Agreement or this Release may be referred to, cited or relied upon by any other party in any fashion as precedent or otherwise in any proceeding before this Commission or any other regulatory agency or before any court of law for any purpose except in furtherance of the purposes and results of this Release.

6. The provisions of this Release may not be waived, altered, or amended, in whole or in part, without the written consent of Qwest and **NAME OF CLEC**.

7. The terms of this Release are contractual and not mere recitals, and no representations have been made which are not contained herein.

8. This Release constitutes the full and complete understanding of Qwest and **NAME OF CLEC** and supersedes any prior understandings or agreements, whether oral or in writing.

9. In the event that any term, covenant, or provision of this Release shall be held by a court of competent jurisdiction or any regulatory or governmental body including the Commission to be invalid or against public policy, the remaining provisions of this Release shall remain in full force and effect so long as **NAME OF CLEC** receives and is allowed to retain the CLEC payments as described in paragraph 2 of the Agreement and Qwest is released from liability to **NAME OF CLEC** as described in paragraph 1 of this Release.

10. Qwest and **NAME OF CLEC** hereby represent to each other that they have reviewed and understand this Release, and that neither Qwest nor **NAME OF CLEC** shall deny the validity of this Release on the grounds that they did not understand the nature and consequences of this Release or did not have the advice of counsel.

11. **NAME OF CLEC** represents that it has the authority to act on behalf of its corporate parents, affiliates, subsidiaries, and agents to release all claims stated herein and to execute this Release.

12. **NAME OF CLEC** and its corporate parents, affiliates, subsidiaries, and agents represent that they have not transferred the right to enforce any claims stated herein to any other person or entity.

13. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

DATED this ___ day of _____, ____.

NAME OF CLEC, on its OWN behalf and on behalf of its corporate parents, affiliates, subsidiaries and agents

BY:_____

AND

QWEST CORPORATION

BY:_____