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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner
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Commissioner
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2010 NOV -5 P 4: 44

AZ 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")

Arizona Corporation Commission

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NOV - 5 2010

DOCKETED BY

A. Background

2 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

5 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.

I. 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.

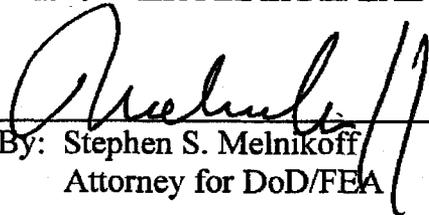
L. Manner of Execution

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

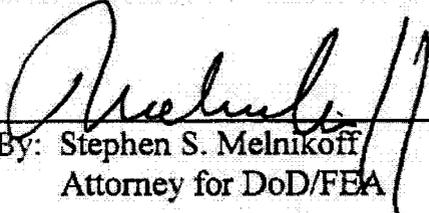
By: _____

Date _____

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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

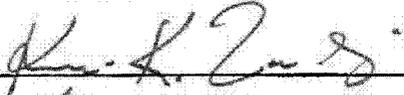
5 November 2010
Date

QWEST

By:

Date

CENTURYLINK


By: Kevin K. Zarling
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.