Attachment

24 & 25

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271 (C) OF THE TELECOMMUNICATIONS ACT OF 1996	))))	DOCKET TC 01-

QWEST COMMUNICATIONS CORPORATION'S

AFFIDAVIT

OF

JUDITH L. BRUNSTING

SECTION 272

OCTOBER 24, 2001

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AFFIDAVIT

OF

JUDITH L. BRUNSTING

Section 272

Judith L. Brunsting declares as follows:

My name is Judith L. Brunsting. My business address is 198 Inverness Drive West, 2nd floor, Englewood, Colorado, 80112. I am Senior Director of 272 Business Development in Qwest Corporation ("Qwest").[1]

I. INTRODUCTION

The purpose of my affidavit is to provide the South Dakota Utilities Commission ("Commission") with information relating to the progress Qwest Communications Corporation, (hereafter "272 Affiliate") the designated 272 affiliate, has made with regard to Section 272 of the Telecommunications Act of 1996 (the "Act"). I will show that the 272 Affiliate is prepared to satisfy Section 272 requirements once Qwest Corporation, (hereafter the "BOC"), obtains Section 271 authority.

I will demonstrate that upon the BOC's receipt of in-region, interLATA authority in South Dakota, the 272 Affiliate will comply with Section 272. In this affidavit, I will address compliance with Sections 272(a) "Separate Affiliate Required for Competitive Activities", 272(b) "Structural and Transactional Requirements", and 272(g) "Joint

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[1] Professional experience, education and other biographical information is set forth in Appendix: Exhibit JLB-272-1.

Marketing" of the Act, as well as related rules as determined by the Federal Communications Commission ("FCC").

I will also discuss the nondiscriminatory safeguards described in Section 272(c) of the Act. Although not specifically directed at the 272 Affiliate, with the exception of the express exemption set forth in Section 272(g), the BOC may not provide the 272 Affiliate with greater access to its goods, services, facilities, or information. All interexchange carriers, including the 272 Affiliate, must be given equal access. Further, all transactions between the 272 Affiliate and the BOC must be accounted for in accordance with the FCC's affiliate transaction rules. I will demonstrate the business processes the 272 Affiliate has in place to comply with these safeguards and ensure arm's length transactions for the services it receives and provides.

I will also explain the steps the 272 Affiliate has taken to ensure it satisfies the requirements of Section 272, including implementation of employee training and awareness efforts.

Before discussing the facts showing the 272 Affiliate is prepared to satisfy Section 272, it is important to distinguish the difference between Section 271 satisfaction and Section 272. Section 271 sets forth the requirements which must be satisfied before the BOC can enter the in-region, interLATA market. Section 272 defines how the BOC or any affiliate of the BOC must operate when offering such interLATA services once the BOC receives Section 271 authority. Thus, there is no specific requirement for the 272 Affiliate to meet Section 272 obligations now; it must only demonstrate that it will comply with the requirements of Section 272.[2] The 272 Affiliate must present evidence that it is prepared to operate under the terms of Section 272 once the BOC is granted authorization to provide in-region, interLATA services in the state of South Dakota. In essence, the Commission must make a "predictive judgment" about whether the 272 Affiliate will comply with Section 272. The FCC has recognized this distinction in its Section 271 decisions.[3] As demonstrated below, the 272 Affiliate is prepared to adhere to the requirements of Section 272 for as long as the requirements of Section 272 are in place.

II. EXECUTIVE SUMMARY

This affidavit provides the Commission with information relating to the 272 Affiliate's preparations to operate in accordance with Section 272 of the Telecommunications Act of 1996. I provide an overview of the 272 Affiliate's processes and procedures, which establish that the 272 Affiliate is prepared to offer service in

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[2] Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of New York, Memorandum Opinion and Order, CC Docket No. 99-295, FCC 99-404 15 FCC Rcd 3953, ¶403 (rel. Dec. 22, 1999), ("Bell Atlantic New York Order"); Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Texas, Memorandum Opinion and Order, CC Docket No. 00-65, FCC 00-238, 15 FCC Rcd 18354, ¶394 (rel. June 30, 2000), ("SBCTexas Order").

[3] Application of BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc., for Provision of In-Region, InterLATA Services in Louisiana, Memorandum Opinion and Order, CC Docket No. 98-121, FCC 98-271, 13 FCC Rcd 20599, ¶321 (rel. Oct. 13, 1998) ("BellSouth Louisiana II

compliance with Section 272. The affidavit of Ms. Marie E. Schwartz, an employee of the BOC, provides additional evidence as to how the BOC is implementing Section 272's requirements.

During the period from July 1, 2000 through April 2001, a merger occurred between U S WEST and Qwest, followed by a reorganization of the company. Qwest decided in January 2001 to designate Qwest Communications Corporation ("QCC") as its 272 Affiliate of the future rather than U S WEST Long Distance (now Qwest Long Distance ("QLD")). On March 26, 2001, the significant requirements of Section 272 had been overlaid onto the 272 Affiliate and it was prepared to satisfy Section 272.

I will demonstrate that the 272 Affiliate will satisfy all of the relevant requirements of Section 272, and the related rules directed by the FCC, following the BOC's receipt of in-region, interLATA authority in South Dakota. The 272 Affiliate is a separate affiliate that will offer originating interLATA services in South Dakota upon approval.

There are three provisions of Section 272 that directly affect the 272 Affiliate: subsections (a), (b), and (g). I will address each of these provisions and explain how the 272 Affiliate is prepared to satisfy each of them. Qwest has replicated its processes and procedures from QLD for Section 272 compliance and implemented them within QCC.

Order") ("requires a predictive judgment regarding the future behavior of the BOC.") *See Also* Bell Atlantic New York, ¶402; SBC Texas Order, ¶395.

Section 272(a) of the Act requires the BOC to provide in-region, interLATA long distance services through one or more separate long distance affiliates. Upon Section 271 approval, long distance services will be offered by Qwest through the 272 Affiliate.

Section 272(b) requires the 272 Affiliate to operate independently from the BOC; maintain separate books, records, and accounts; have its own directors, officers, and employees; obtain credit that will not provide recourse to the assets of the BOC; and, conduct all transactions with the BOC on an arm's length basis, with all such transactions reduced to writing and available for public inspection. The 272 Affiliate will satisfy these requirements of the Act.

Section 272(g) sets forth guidelines on how the 272 Affiliate and the BOC can jointly market interLATA long distance services. The 272 Affiliate will adhere to these requirements of the Act.

I will discuss the employee training and awareness efforts the 272 Affiliate has implemented to ensure it continues to follow the applicable Section 272 requirements.

I will also discuss the relationship between several different companies within the Qwest corporate family. These companies are discussed repeatedly in my affidavit: 1) Qwest Communications Corporation ("QCC"), 2) Qwest Corporation ("QC"), 3) Qwest Services Corporation ("QSC"), and 4) Qwest Communications International Inc. Given the similarity of the acronyms between the companies, it may be difficult to review my affidavit if the companies were referred to in that manner. Consequently, in my affidavit I will refer to QCC as the Section "272 Affiliate"; QC as the "BOC"; and Qwest Services Corporation, the parent of the 272 Affiliate and the BOC, as the "Services Company".

III. THE 272 AFFILIATE SATISFIES THE SEPARATE AFFILIATE REQUIREMENTS OF SECTION 272(a)

Section 272(a) requires the BOC to provide interLATA long distance services through one or more separate long distance affiliates. When authorized, QCC will be that separate 272 affiliate. I have confirmed the 272 Affiliate ("QCC") is an indirect, wholly owned subsidiary of Qwest Communications International Inc., a Delaware corporation. The 272 Affiliate is a duly formed and existing corporation organized under the laws of the State of Delaware as shown in Exhibit JLB-272-2. The 272 Affiliate and the BOC are both subsidiaries of Qwest Service Corporation ("QSC" or "Services Company") which is a wholly owned subsidiary of Qwest Communications International Inc.. See Exhibit JLB-272-3. The 272 Affiliate is not a subsidiary of the BOC or any affiliated ILEC. I have also confirmed that the 272 Affiliate owns no stock of the BOC nor does the BOC own any stock of the 272 Affiliate. Thus, as both a legal and practical matter, the two companies are separate.

The 272 Affiliate currently holds a certificate of authority to transact business from the Secretary of State in each of the fourteen (14) states comprising the BOC's territory. The 272 Affiliate's "Certificate of Disclosure" for South Dakota provides it with authority to operate in the state. See Exhibit JLB-272-4.

Prior to the Qwest - U S WEST merger, U S WEST had formed U S WEST Long Distance as a separate affiliate. It was to provide in-region, interLATA telecommunications services in its 14-state territory once Section 271 authority was granted. At that time, U S WEST Long Distance was planning to offer in-region, interLATA long distance service as a reseller, using the underlying facilities of various carriers.

In the summer of 2000, once the merger was completed, U S WEST Long Distance's name was changed to Qwest Long Distance ("QLD"). In the fall of 2000, Qwest revisited the strategy regarding which legal entity should offer interLATA services in-region. In January 2001, QCC was identified as the 272 subsidiary of the future. A transition plan was devised to bring QCC into being Section 272 compliant. The activities included placing employees in the appropriate Qwest entity, evaluating and documenting all transactions between the 272 Affiliate and the BOC, posting all such transactions to the Internet, training employees, and ensuring all other separateness requirements of 272. In less than three months, QCC was "turned up" as a compliant Section 272 Affiliate on March 26, 2001.

Qwest Long Distance continues to exist today as a fully compliant 272 subsidiary and is scheduled to be dissolved at the end of October 2001. The 272 Affiliate satisfies the requirements of Section 272(a).

IV. THE 272 AFFILIATE COMPLIES WITH THE STRUCTURAL AND TRANSACTIONAL REQUIREMENTS OF SECTION 272(b)

Section 272(b) contains five "structural separations" that the BOC and the 272 Affiliate must maintain for as long as the requirements of Section 272 are in force. Section 272(b) requires the 272 Affiliate to operate independently from the BOC; maintain separate books, records, and accounts; have its own directors, officers, and employees; obtain credit that will not provide recourse to the assets of the BOC; and conduct all transactions with the BOC on an arm's length basis, with all such transactions reduced to writing and available for public inspection. The 272 Affiliate will satisfy these requirements of the Act.

A. Section 272(b)(1) – Operate Independently from the BOC

Section 272(b)(1) requires the 272 Affiliate to operate independently from the BOC. Several facts show that the 272 Affiliate satisfies this provision for as long as the requirements of Section 272 are in place:

a. The 272 Affiliate does not and will not jointly own, with the BOC, telecommunications transmission and switching facilities, or the land and buildings on which such facilities are located.

b. The 272 Affiliate is not currently providing to the BOC operations, installation, or maintenance ("OI&M") services in connection with the BOC's switching and transmission facilities, nor will it provide these services to the BOC as long as Section 272 is in force.

c. The 272 Affiliate will not accept OI&M services in connection with the 272 Affiliate's switching and transmission facilities from the BOC or any other Qwest affiliate.

d. Qwest's 272 Affiliate plans to provide its own in-region, interLATA long distance products and services. It will use its own transmission and switching facilities and obtain wholesale network services from one or more unaffiliated carriers. The 272 Affiliate will perform OI&M on its own network facilities.

The 272 Affiliate may purchase telecommunications services from the BOC at the same rates, terms and conditions applied to other carriers.[4] If the 272 Affiliate obtains a tariffed exchange service or exchange access service from the BOC, the BOC may provide the OI&M functions on its own network, which it uses to provide that service to the 272 Affiliate. Likewise, if the BOC were to obtain a long distance service from the 272 Affiliate, the 272 Affiliate would be allowed to provide the OI&M functions on the facilities used to provide that service.

B. Section 272(b)(2) – Separate Books, Records, and Accounts

Section 272(b)(2) requires the 272 Affiliate to maintain books, records, and accounts separate from the books, records, and accounts of the BOC. Several facts show that the 272 Affiliate satisfies this provision:

a. The 272 Affiliate follows Generally Accepted Accounting Principles ("GAAP"), as adopted by the FCC in Docket 96-150. GAAP requires accrual accounting, and the 272 Affiliate follows this practice. The 272 Affiliate's books, records, and accounts are maintained in accordance with

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[4] Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 96-149, FCC 96-489, 11 FCC Rcd at 21905, ¶164 (rel. Dec. 24, 1996) ("Non-Accounting Safeguards Order").

GAAP and consolidated into Qwest Communications International Inc.'s financials. Since Qwest Communications International Inc. is a publicly held corporation subject to federal securities statutes, it reports its financial activities in accordance with GAAP.

b. Qwest Communications International Inc.'s consolidated financial statements, as contained in the Form 10-K filed with the Securities and Exchange Commission ("SEC"), includes the report of its independent auditor, Arthur Andersen, L.L.P.. Arthur Anderson provides an unqualified opinion regarding the fair presentation of those statements in accordance with accounting principles generally accepted in the United States. These financial statements include the consolidated results of the 272 Affiliate. Please see Exhibit MES-272-4 of Marie Schwartz's affidavit for this report.

c. The 272 Affiliate has established and maintains a Chart of Accounts that is separate from the BOC's Chart of Accounts as shown in confidential Exhibit JLB-272-5C.

d. The 272 Affiliate will maintain a separate set of financial statements from those of the BOC for internal and corporate use. The Qwest Communications Corporation consolidated balance sheet for December 2000, first quarter and second quarter 2001 is attached as confidential Exhibit JLB-272-6C.

e. The 272 Affiliate maintains expenditure controls ensuring the 272 Affiliate's funds are expensed and accounted for appropriately. The necessity and accuracy of an expense or capital expenditure is the responsibility of every 272 Affiliate employee. When an employee initiates payment of funds, the employee is certifying that a valid business purpose exists for the expenditure. All expenditures also require approval from a supervisor who certifies and reviews the documentation associated with the expenditure. Policies exist specifying the amount each level of management is allowed to approve for expenditures related to third party vendors.

f. The ledger system of the 272 Affiliate is separate from the BOC's ledger system. This system contains "edits" to control and validate appropriate classification of expense. The books are part of the annual financial audit conducted by an external auditor. Consolidation for external reporting purposes takes place using a separate financial reporting tool.

g. The 272 Affiliate's general ledger (accounting software) is maintained on the PeopleSoft FRED system, which is the same general ledger system Qwest used prior to the merger. The system and data are maintained on hardware located at facilities in Arlington, Virginia. The BOC's general ledger (accounting software) is maintained on the PeopleSoft PROFIT system, which is the same general ledger system that U S WEST used prior to the merger. This system and data are maintained on hardware located at the Zuni facility in Denver, Colorado. Therefore, the 272 Affiliate and the BOC maintain separate accounting software which are located at different locations.

h. The 272 Affiliate's accounting and finance functions are performed on behalf of the 272 Affiliate by the Services Company.

i. The 272 Affiliate has its own federal tax identification number that is separate from the BOC's federal tax identification number.

j. The 272 Affiliate pays applicable taxes and fees to various taxing and regulatory agencies separately from the BOC.

k. The 272 Affiliate complies with state and FCC regulatory reporting requirements separately from the BOC.

C. Section 272(b)(3) – Separate Officers, Directors, and Employees

Section 272(b)(3) requires the 272 Affiliate to have separate officers, directors, and employees from the BOC. In the Bell Atlantic-New York and SBC-Texas orders, the FCC found that a comparison of the BOC and the Section 272 Affiliate's officer and director lists and payrolls was sufficient to demonstrate compliance with Section

272(b)(3).[5] The FCC found in its BellSouth Louisiana II Order that "...[n]either the statute nor our implementing regulations require a BOC to outline the reporting structure of its affiliate's Board of Directors..." or to "establish a minimum number of Board members" in order to show compliance with this section of the Act.[6] To meet its burden of proof, the Section 272 Affiliate must only provide evidence that its officers, directors, and employees are separate from those of the BOC. The 272 Affiliate satisfies this provision as shown by the following facts:

a. The 272 Affiliate has no officers, directors, or employees who are also officers, directors, or employees of the BOC. The 272 Affiliate has two directors – Drake Tempest and Robin Szeliga. Neither Mr. Tempest nor Ms. Szeliga is an officer, director, or employee of the BOC. Exhibit JLB-272-7 provides a complete listing of the 272 Affiliate's directors and officers, none of whom is an officer, director, or employee of the BOC. Further, Exhibit JLB-272-8 provides a complete listing of the BOC's directors and officers, none of whom is an officer, director or employee of the 272 Affiliate.

b. No director of the 272 Affiliate will also act as a director of the BOC and, as long as the requirements of Section 272 remain in force. No director of the 272 Affiliate will also simultaneously act as a director of the BOC.

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[5] Bell Atlantic New York Order, ¶ 409; SBC Texas Order, ¶ 401.

[6] BellSouth Louisiana II Order, ¶ 330.

c. The 272 Affiliate and the BOC maintain and will continue to maintain separate payrolls. The 272 Affiliate currently employs a separate staff from the BOC. No 272 Affiliate officer, director, or employee is an officer, director, or employee of the BOC. As long as the requirements of Section 272 remain in force, no officer, director, or employee of the 272 Affiliate will simultaneously act as an officer, director, or employee of the BOC.

d. The 272 Affiliate, the BOC, and the Service Company have provided employees with color identification materials to assist in identifying the associated affiliate. Colors on each employee's badge and office nameplate identify his or her employer. For example, employees of the 272 Affiliate have red on their badges and office nameplates.

e. Comprehensive separations between 272 Affiliate and BOC employees are maintained throughout all operations. For example, when BOC employees provide payroll services to the 272 Affiliate, the services are documented in the form of a Work Order; the rates, terms, and conditions are available for public inspection, as required by Section 272(b)(5). When 272 Affiliate employees provide services to Qwest affiliates, including the BOC, the employees are required to time report and the BOC is charged for their time using rates set according to applicable FCC requirements. These services are documented in the form of a Task Order, with rates, terms, and conditions available for public inspection, as required by Section 272(b)(5).

f. Qwest has a policy prohibiting the loan or 100% use of an employee between the BOC and the 272 Affiliate for more than four months out of any twelve-month period. By way of example, if a 272 Affiliate or BOC employee were to provide service to the other company of 100% of his or her time for three months, the service would be agreed to between QCC and QC, reduced to writing, posted to the Internet, and made publicly available.

g. When an employee accepts employment with another company in the Qwest corporate family, the 272 Affiliate initiates a series of activities. The departing 272 Affiliate employee must notify his or her manager of the decision to leave. The departing 272 Affiliate employee must return 272 Affiliate-owned assets and account for documents in his or her possession prior to the resignation date. Upon departing, the ex-employee is required to sign a document indicating he or she has returned all assets and understands that he or she may not disclose confidential Qwest information. After the resignation date, the 272 Affiliate removes the ex-employee from its payroll.

h. Several policies and guidelines are in place to restrict the sharing of information by employees who move between entities. First, upon acceptance of a position with one Qwest company, the new employee is required to sign a non-disclosure statement to prevent the sharing of non-public information between the companies. Second, employees are required to annually review the Code of Conduct, which provides guidelines that govern the relationship and business transactions between the various affiliates of Qwest. Lastly, on departing, the employee must review and sign an acknowledgement form stating that the employee no longer has access to Qwest assets and may not disclose Qwest information after his or her departure date. This includes Qwest information assets. See Exhibit JLB-272-9 for the Qwest Offer Letter and Exhibit JLB-272-10 for the Qwest Exit Checklist.

Organizationally, separation between the BOC and the 272 Affiliate is maintained throughout at all times. The FCC found in the BellSouth Louisiana II Order, Paragraph 330, that " [N]either the statute nor our implementing regulations require a BOC to outline the reporting structure of its affiliate's Board of Directors..." to show compliance with this section of the Act. To meet its burden of proof, the Section 272 subsidiary must only provide evidence that its officers, directors, and employees are separate from those of the BOC.

The 272 Affiliate's officers have a fiduciary obligation to the 272 Affiliate's Board of Directors to manage the business in an appropriate manner. The 272 Affiliate's Board of Directors has, in turn, similar obligations and responsibilities.

It is important to note that while Congress anticipated the need for structural separation between a BOC and the Section 272 subsidiary, the Act specifically contemplates that a BOC and its Section 272 subsidiary would be affiliates under a single parent company. The very structure utilized by Qwest Communications

International Inc. is contemplated by the terms of Section 272 and FCC decisions. As affiliates, the 272 Affiliate and BOC have unique financial and business responsibilities and obligations to their boards of directors and ultimately to their shareholders, notwithstanding Section 272 requirements.

Further, these Section 272 requirements will continue to be satisfied in all future movement of employees, officers, or directors. For example, if a 272 Affiliate director is moved to any position within the BOC, that person will not remain on the 272 Affiliate's board. Similarly, if an officer of the BOC is placed on the 272 Affiliate's board, that person will cease to be employed by or serve as an officer of the BOC.

D. Section 272(b)(4) – No Recourse to BOC's Assets

Section 272(b)(4) states that the Section 272 Affiliate cannot obtain credit under any arrangement permitting a creditor to have recourse to the assets of the BOC. The following facts establish the 272 Affiliate's satisfaction of this provision:

The 272 Affiliate has not requested, nor will it request, any Qwest entity to co-sign a contract or any other agreement with the 272 Affiliate in a manner which would allow a creditor to obtain recourse to the BOC's assets.

The 272 Affiliate is capitalized separately from the BOC. Funding for the 272 Affiliate is provided by financial obligations issued by Qwest Capital Funding, Inc. ("QCFI"), a separate subsidiary of Qwest Communications International Inc. The debt issued by QCFI is guaranteed by Qwest Communications International Inc., and neither the debt obligations issued by QCFI, nor the guarantee by Qwest Communications International Inc. provide creditors recourse to the assets of the BOC. The BOC issues its own direct financial obligations to fund its operations – principally commercial papers, notes, and bonds.

The Master Services Agreement ("MSA") between the BOC and the 272 Affiliate states that contracts entered into by the 272 Affiliate are the sole responsibility of the 272 Affiliate and have no recourse to the BOC's assets. In case of default, liability is limited to charges for costs incurred under the Agreement.

E. Section 272(b)(5) – Transactions at Arm's Length, in Writing, and Publicly Available

Section 272(b)(5) requires all transactions between the 272 Affiliate and the BOC be at arm's length, with any such transactions reduced to writing and available for public inspection. The 272 Affiliate satisfies this provision as shown by the following facts:

The 272 Affiliate has accounted for all transactions between itself and the BOC in accordance with the FCC's affiliate transaction rules back to the date of the Qwest – U S WEST merger, which closed on June 30, 2000. The accounting of all past transactions was completed on March 26, 2001, following a period of reorganization resulting from the Qwest – U S WEST merger, which closed on June 30, 2000.

All transactions between the 272 Affiliate and the BOC are documented as part of a Master Services Agreement ("MSA"), Service Agreement ("SA"), stand-alone contract, or purchased as a tariffed service offering. The SA between the 272 Affiliate and the BOC is provided as Exhibit JLB-272-11. The other agreements are provided as exhibits to Ms. Marie E. Schwartz's affidavit.

All transactions between the 272 Affiliate and the BOC are posted on Qwest Communications International Inc.'s website, the contents of which are intended to be part of this record:

http://www.qwest.com/about/policy/docs/qcc/overview.html

Exhibit JLB-272-12 includes a sample of the contents of that site.[7]

d. The 272 Affiliate, as an added protection, is required to contact its BOC Sales Executive Team Sales Executive to obtain access services like all other BOC access service customers. Sales Executives make sure all interexchange carriers have equal access to the BOC's goods, services, facilities, and information. The 272 Affiliate's Sales Executive, as with any other carrier, contacts the representative in the BOC business unit providing the requested service as well as a manager in the BOC's Regulatory Accounting group.

e. The 272 Affiliate is also required to use the BOC Service Management Team as a single source of support for all provisioning, maintenance, and repair issues in conjunction with the services they purchase from the BOC. The Service

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7 Website was visited and pages printed on September 26, 2001.

Management Team, as with any other carrier, handles escalations and service concerns associated with these services.

A process flow has been created for services requested by the 272 Affiliate that are not currently being provided by the BOC. A Compliance Oversight Team provides guidance as to the nondiscriminatory requirements that may exist if the BOC offers service. The 272 Affiliate is not represented on, nor does it have a member on the BOC Compliance Oversight Team. Further, Qwest Long Distance is not represented on, nor did it have a member on the BOC Compliance Oversight Team.

V. SECTION 272(g) – JOINT MARKETING

Section 272(g) of the Act provides guidelines the 272 Affiliate and the BOC must follow relative to joint marketing. The BOC will not market or sell the in-region, interLATA services of the 272 Affiliate until authorized. The 272 Affiliate understands its obligations under previous FCC 271 orders relative to Section 272, and is prepared to follow the joint marketing rules.

In this application the 272 Affiliate will not be providing proposed marketing scripts or plans, nor is it required to do so. As stated in the FCC order for BellSouth–South Carolina, regarding proposed telemarketing scripts,

> We do not require applicants to submit proposed marketing scripts as a precondition for Section 271 approval, nor do we expect to review revised marketing scripts on an ongoing basis once Section 271 authorization is granted. Applicants are free to tell us how they intend to joint market, although we do not require them to do so.[8]

The FCC reaffirmed this position in the Bell Atlantic–New York order by stating:

> We reject as inconsistent with Commission precedent AT&T's contention that Bell Atlantic must submit proposed marketing scripts in order to demonstrate compliance with Section 272(g).[9]

Further, it is important to point out that in its *Non-Accounting Safeguards Order*, the FCC stated that "no regulations are necessary to implement section 272(g)(1)."[10]

There are actually three general provisions for joint marketing contained within Section 272(g) of the Act.

First, if the BOC permits its 272 Affiliate to market or sell the BOC's telephone exchange services, the BOC must allow other carriers to similarly market and sell the BOC's telephone exchange services.

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8 Application of BellSouth Corporation, et al. Pursuant to Section 271 of the Communications Act of 1934, as amended, To Provide In-Region, InterLATA Services in South Carolina, Memorandum Opinion and Order, CC Docket No. 97-208, FCC 97-418, 13 FCC Rcd. 539, ¶236, (rel. Dec. 24, 1997), ("BellSouth South Carolina Order")

9 Bell Atlantic New York Order, ¶419.

10 Non-Accounting Safeguards Order, ¶286.

Second, the BOC may not market the 272 Affiliate's in-region interLATA services until the BOC receives authority to offer in-region interLATA services pursuant to Section 271 of the Act.

Third, Section 272(g)(3) provides that the BOC's joint marketing and sale of service on behalf of its Section 272 Affiliate do not violate the nondiscrimination requirements of Section 272(c).

The specific requirements of Section 272(g)(1) of the Act state:

> Affiliate Sales of Telephone Exchange Services – A Bell operating company affiliate required by this section may not market or sell telephone exchange services provided by the Bell operating company unless that company permits other entities offering the same or similar service to market and sell its telephone exchange services.

The 272 Affiliate will not market or sell BOC services except through agreement on an arm's length basis, reduced to writing, and made publicly available as required by Section 272(b)(5).

The specific requirements of Section 272(g)(2) of the Act state:

> Bell Operating Company Sales of Affiliate Services – A Bell operating company may not market or sell interLATA service provided by an affiliate required by this section within any of its in-region States until such company is authorized to provide interLATA services in such State under section 271(d).

The 272 Affiliate will not market or sell interLATA services with the BOC until the BOC is authorized by the FCC to provide interLATA service in South Dakota.

The specific requirements of Section 272(g)(3) state that "the joint marketing and sale of services permitted under this subsection shall not be considered to violate the nondiscrimination provisions of subsection 272(c)."

The 272 Affiliate understands that the permitted joint marketing activities will not be subject to the nondiscrimination requirements of Section 272(c). The 272 Affiliate and the BOC may provide marketing for each other, provided that such services are conducted pursuant to an arm's-length transaction, consistent with the requirements of Section 272(b)(5). Further, the 272 Affiliate understands that transactions which document BOC participation in the product design, planning, or development of 272 Affiliate services are reduced to writing, posted to the Internet, and made publicly available as defined in Section 272(b)(5). Employee training will be updated as a further measure to clarify for employees the activities associated with joint marketing and what services are offered under nondiscrimination requirements. A statement will be added to the employee training to clarify that product design, planning and development of 272 affiliate services can be offered by the BOC but it must be done on a nondiscriminatory basis.

VI. THE 272 AFFILIATE'S TRAINING EFFORTS

All Qwest Communications International Inc. employees, including those in the 272 Affiliate, are required to review the company's Code of Conduct and certify that they understand and will comply with company policies, including regulatory requirements. New hires to Qwest are obligated to go through this training within ten (10) days of hire.

In addition to overall corporate training efforts, all current 272 Affiliate employees receive further Section 272-specific training using materials shown in Exhibit JLB-272-13. The leadership of the company is fully committed to Section 272 compliance as well, as evidenced in Exhibit JLB-272-14.

The 272 Affiliate will use the Qwest Communications International Inc. Corporate Compliance Advice Line for reporting all Section 272 compliance issues. The Advice Line number is 1-800-333-8938. Any employee can call this number and get answers to their Section 272 issues, or, if necessary, to report suspected Section 272 violations. Also, by emailing Ask272@qwest.com with questions, employees have an additional 272 compliance resource.

VII. CONCLUSION

I have demonstrated how the 272 Affiliate will satisfy Section 272 of the Act, as well as the FCC's related rules. I have also explained the steps the 272 Affiliate has taken to ensure its continued satisfaction of Section 272. Additionally, my affidavit addresses the 272 Affiliate's employee training and awareness efforts to assure continued satisfaction of Section 272. QCC understands its obligations under Section 272 and is dedicated to satisfying these obligations.

Being first duly sworn upon oath, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed on this 16 day of October, 2001.

Judith L. Brunsting

Judith L. Brunsting

STATE OF COLORADO

COUNTY OF ARAPAHOE

Subscribed and sworn to before me this 16 day of Oct, 2001.

Beverly A. Cozzolino

Notary Public

My Commission Expires
June 26, 2003

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271 (C) OF THE TELECOMMUNICATIONS ACT OF 1996	))))	DOCKET TC 01-

QWEST COMMUNICATIONS CORPORATION'S

EXHIBITS TO THE AFFIDAVIT

OF

JUDITH L. BRUNSTING

SECTION 272

OCTOBER 24, 2001

INDEX TO EXHIBITS

QUALIFICATIONS OF JUDITH L. BRUNSTING

I am employed by Qwest Communications Corporation ("QCC") as Senior Director, 272 Business Development. I am responsible for implementing requirements and coordinating activities associated with Section 272 compliance. I am a graduate of Nettleton Business College with a degree in Accounting, and have more than 30 years' experience in the telecommunications industry with an emphasis in engineering, marketing, regulatory, and planning. I have held positions in the Network, Public Policy, and Wholesale organizations within the former U S WEST Communications, Inc. In 1995, I was appointed Director, Regulatory, for Time Warner Communications, and was responsible for obtaining and maintaining state and federal certification. I assumed the position of Director, Regulatory, for U S WEST Long Distance, Inc. in 1997. Network responsibilities were added to this position in 1999. I was appointed to my current position for Qwest Long Distance in November 2000. Recently, the position has transferred to Qwest Communications Corporation, the 272 Affiliate.

I base this affidavit on professional experience, personal knowledge and information available to me in the normal course of my duties, including records kept by Qwest in the regular course of business. Specifically, my experience has allowed me to develop an expertise such that I have filed testimony on the subject of Section 272 in Arizona, Colorado, Idaho, Iowa, Montana, Nebraska, New Mexico, North Dakota, Oregon, Utah, Washington, Wyoming. I have testified in Nebraska and participated in workshops in Arizona, Colorado, and Washington, as well as the multi-state workshops for Idaho, Iowa, Montana, New Mexico, North Dakota, Utah and Wyoming.

QWEST COMMUNICATIONS CORPORATION

ARTICLES OF INCORPORATION

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "SOUTHERN PACIFIC TELECOMMUNICATIONS COMPANY", CHANGING ITS NAME FROM "SOUTHERN PACIFIC TELECOMMUNICATIONS COMPANY" TO "QWEST COMMUNICATIONS CORPORATION", FILED IN THIS OFFICE ON THE SIXTH DAY OF APRIL, A.D. 1995, AT 2:01 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

Edward J. Freel, Secretary of State

0642301 8100

950076813

AUTHENTICATION: 7464880

DATE: 04-06-95

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION

SOUTHERN PACIFIC TELECOMMUNICATIONS COMPANY (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Code"), does hereby certify:

FIRST: The Board of Directors of the Corporation, by unanimous written consent, has filed with the minutes of the board a duly adopted resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation of the Corporation:

> "RESOLVED, that the Board of Directors of the Corporation hereby authorizes and approves that the Corporation change its name from Southern Pacific Telecommunications Company to **Qwest Communications Corporation** by striking out Article 1. of the Corporation's Restated Certificate of Incorporation and substituting in lieu thereof the following new Article:
>
> 1. The name of the corporation is QWEST COMMUNICATIONS CORPORATION."

SECOND: The Board of Directors of the Corporation, by unanimous written consent, has directed that the foregoing amendment to the Restated Certificate of Incorporation of the Corporation be presented to the stockholders of the Corporation for their consideration.

THIRD: The stockholders of the Corporation have given their unanimous written consent to the aforesaid amendment to the Restated Certificate of Incorporation in accordance with the provisions of Section 228 of the Code.

FOURTH: That said amendment was duly adopted in accordance with the provisions of Section 242 of the Code.

IN WITNESS WHEREOF, Southern Pacific Telecommunications Company has caused this certificate to be signed by Douglas H. Hanson, its President, and attested to by A. K. Whitelaw III, its Assistant Secretary, this 6th day of April, 1995.

Southern Pacific Telecommunications Company

[SEAL]

By:

Name: Douglas H. Hanson

Title: President

ATTEST:

By:

Name: A. K. Whitelaw III

Title: Assistant Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 01:15 PM 05/16/1994
944086377 - 642301

RESTATED CERTIFICATE OF INCORPORATION OF SOUTHERN PACIFIC TELECOMMUNICATIONS COMPANY

Southern Pacific Telecommunications Company, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

A. The name of the Corporation is Southern Pacific Telecommunications Company. The Corporation was originally incorporated under the name Evergreen Leasing Corporation, and its original Certificate of Incorporation was filed with the Secretary of State of Delaware on June 10, 1966. The Corporation changed its name to Southern Pacific Telecommunications Company pursuant to a certificate of amendment filed on March 20, 1989.

B. This Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of Delaware.

C. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation as previously amended and supplemented. There is no discrepancy between the provisions of the Corporation's

Restated Certificate of Incorporation as previously amended and supplemented and the provisions of this Restated Certificate of Incorporation.

D. The text of the Certificate of Incorporation as heretofore amended or supplemented is hereby restated to read in its entirety as follows:

Article 1. The name of the Corporation is SOUTHERN PACIFIC TELECOMMUNICATIONS COMPANY.

Article 2. The address of its registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington 19801, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

Article 3. The nature of the business of the Corporation and the objects or purposes to be transacted, promoted or carried on by it are as follows: To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

Article 4. (a) The total number of shares of all classes of stock that the Corporation is authorized to issue is 2,200,000 shares, consisting of 2,000,000 shares of Common Stock with a par value of $0.01 per share and 200,000 shares of Preferred Stock with a par value of $0.01 per share. The Preferred Stock may be issued in one or more series, and the Board of Directors of the Corporation is expressly authorized (i) to fix the designations, powers, preferences, rights, qualifications, limitations, and restrictions with respect to any series of Preferred Stock and (ii) to specify the number of shares of any series of Preferred Stock.

(b) Except as authorized by a resolution of the Board of Directors of the Corporation and expressly provided in writing by separate contract between the Issuer and a stockholder or proposed stockholder of the Corporation, no stockholder of the Corporation shall have any preemptive or similar right to subscribe for any additional shares of stock, or for other securities of any class, or for rights, warrants or options to purchase stock or for scrip, or for securities of any kind convertible into stock or carrying stock purchase warrants or privileges.

(c) Each stockholder of record entitled to vote shall have one vote for each share of stock standing in his name on the books of the corporation, except that in the election of directors he shall have the right to vote such number of shares for as many persons as there are directors to be elected. Cumulative voting shall not be allowed in the election of directors or for any other purpose.

Article 5. The board of directors is expressly authorized to make, alter, or repeal the bylaws of the Corporation.

Article 6. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

Article 7. Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 791 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

QWEST CORPORATE STRUCTURE

CONTINUATION

[1]

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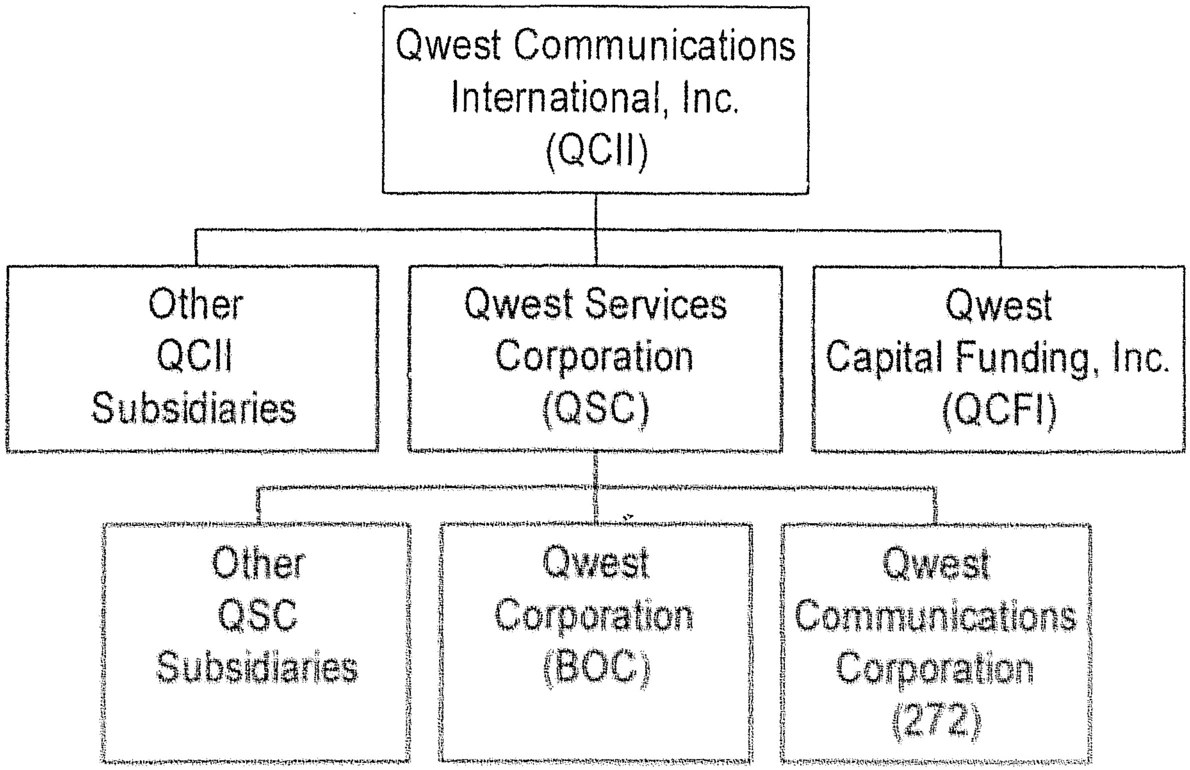
Qwest Corporate Structure



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CONTINUATION

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QWEST COMMUNICATIONS CORPORATION

"CERTIFICATE OF DISCLOSURE" FOR SOUTH DAKOTA

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

Certificate of Good Standing
Foreign Corporation

ORGANIZATIONAL ID #: FB017246

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, do hereby certify that **QWEST COMMUNICATIONS CORPORATION (DE)** was authorized to transact business in this state on **September 6, 1994** I, further certify that said corporation has complied with the South Dakota law governing foreign corporations transacting business in this state, and so far as the records of this office show, said corporation is in good standing in this State at the date hereof and duly authorized to transact business in the State of South Dakota. This certificate is not to be construed as an endorsement, recommendation or notice of approval of the corporation's financial condition or business activities and practices. Such information is not available from this office.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this September 12, 2001.

Joyce Hazeltine

Joyce Hazeltine
Secretary of State

CONFIDENTIAL/PROPRIETARY INFORMATION
CLASSIFICATION RATIONALE

Description/Title of Information: QWEST COMMUNICATIONS CORPORATION CHART OF ACCOUNTS

Confidential/Proprietary Designation Rationale:

This exhibit categorizes the Chart of Accounts for Qwest Communications Corporation. This contains detailed confidential information about payroll and salaries, and information about marketing and revenue streams. Because this information would be valuable to Qwest Communications Corporation's competitors, it is proprietary.

Qwest Communications Corporation Officer and Director Listing
(as of June 01, 2001)

Directors:

Drake S. Tempest
Robin R. Szeliga

Officers:

Name	Office
Joseph P. Nacchio	Chairman, Chief Executive Officer and President
Drake S. Tempest	Executive Vice President, General Counsel, Chief Administrative Officer and Secretary
Marc B. Weisberg	Executive Vice President – Corporate Development
Robin R. Szeliga	Executive Vice President and Chief Financial Officer
Richard N. Baer	Senior Vice President and Deputy General Counsel
R. Steven Davis	Senior Vice President, Deputy General Counsel and Assistant Secretary
Joel Arnold	Senior Vice President – General Business Markets
Richard Weston	Senior Vice President – Internet Solutions
Yash A. Rana	Associate General Counsel and Assistant Secretary
William Bryant	Assistant Treasurer

QWEST CORPORATION

BOARD OF DIRECTORS AND OFFICERS LIST

Qwest Corporation Officer and Director Listing

(as of June 01, 2001)

Directors:

Augustine M. Cruciotti
James A. Smith

Officers:

Name	Office
James A. Smith	President
Robert Tregemba	Senior Vice President – Network
Beth Halverson	Vice President – Wholesale
Mark Pitchford	Vice President – Retail Markets
Mark Schumacher	Vice President and Controller
Kamelia Davidson	Assistant Secretary

QWEST OFFER LETTER

QWEST LETTERHEAD

[Date]

Dear [Name]:

We are pleased to extend an offer of employment to you on behalf of [Insert Appropriate Qwest Entity, e.g. Qwest Corporation, Qwest Services Corporation, Qwest IT, Qwest Wireless, or Qwest Dex]. Qwest is an aggressive company unafraid of ambitious challenges. We expect the same qualities in our employees. The work environment is fast-paced and demanding, but in return for your contributions, you may expect to be well rewarded through highly competitive compensation and benefits programs. If Qwest sounds like the place for you, we hope you will seriously consider the attractive offer outlined below

Position Title:	[Title]
Position Type:	[Regular Full Time/Regular Part-Time]
Hiring Manager:	[Name]
Initial Work Location:	[Address]
Base Compensation:	$[Amount] base annual salary
Stock Options:	[Delete Paragraph if Inapplicable] Options to purchase [Number] shares of Qwest common stock pursuant to the Equity Incentive Plan, as amended. The purchase price of each share covered by the option will be the closing market price as of your first day of employment with Qwest. The options will vest and become exercisable in installments of twenty percent (20%) per year for 5 years from the date of the grant, for so long as you remain in continuous employment with Qwest.
2001 Incentive Compensation Plan:	Eligibility to participate in the 2001 Qwest Quarterly Incentive Compensation Plan. Your

NAME
DATE
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participation will start on the first day of the first quarter following your date of hire. In this position, you may be eligible for incentive compensation of up to [% eligibility] of your annual base salary, at the discretion of the Company and subject to the terms of the Plan.

Hiring Bonus: $ [Amount or Delete if Inapplicable], less applicable taxes and deductions.

Relocation: [Delete if Inapplicable] Reimbursement for relocation expenses at Tier [Insert Tier], as defined by the attached Relocation Policy.

First Day of Active Employment: [Date or "To Be Determined"]

In addition to the above, you will be eligible to participate in a variety of employee benefit programs in accordance with the terms of the programs. These benefits currently include, but are not limited to, a medical, dental and vision care program, a retirement savings plan, a pension plan, life insurance, and Time Off with Pay (TOP). Under the terms of the current retirement savings plan, you will automatically be enrolled at a contribution level of three percent of your base salary. Your contribution will be achieved through payroll deductions. Qwest will match your contributions of up to three percent of your base salary dollar for dollar in Qwest stock. If you do not wish to be automatically enrolled in the plan at a contribution level of three percent, please call 1-877-QWEST401K anytime after your start date to make this change. Please keep in mind that all non-vested employee benefits may be modified or cancelled periodically throughout your employment at the sole discretion of the company. Vesting schedules are contained in the plan documents governing each benefit.

Please pay special attention to the following items as this offer of employment is conditional upon your completion of each within the time frames indicated, and several of the items require immediate attention:

1. **Successfully completing a drug test within two (2) business days of your receipt of this letter.** Please contact [Insert Name and telephone number] to obtain drug testing

NAME
DATE
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locations. You will not be contacted as to the results of your test unless there is a discrepancy.

2. **Completing and Returning the enclosed Information and Authorization form and Fair Credit Reporting Act Disclosure and Authorization form within two (2) business days of your receipt of this letter.** You will not be contacted as to the results of the background checks that these forms authorize unless there is a discrepancy.

3. **Completing and returning the Qwest Application for Employment within two (2) business days of your receipt of this letter.** If your packet does not include an application, we currently have one on file for you.

4. **Signing and returning this Conditional Offer Letter and Attachment within five (5) days of your receipt of this letter.** The Attachment will govern many of the specific legal conditions of our employer-employee relationship, and your offer is contingent upon you meeting and continuing to meet all of the conditions set forth therein, in the sole determination of Qwest. Please read these conditions carefully before signing.

Sincerely,

[Staffing Representative Name/Title/Telephone Number]

NAME
DATE
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CONDITIONAL OFFER LETTER ATTACHMENT

As used in this Attachment, "QWEST" means Qwest Communications International, Inc., any successor, subsidiary, or affiliate of Qwest Communications International, Inc., and the employees, officers, directors, and agents of each. This Attachment supersedes any written or verbal representations regarding matters addressed herein, to the extent they are inconsistent.

EMPLOYMENT AT-WILL

Nothing in the conditional offer letter or this Attachment promises or implies employment for any particular duration. Just as you may terminate your employment at any time, with or without cause, QWEST may also terminate your employment at any time, with or without cause. This at-will employment relationship may not be modified except by written agreement signed by you and an authorized representative of the company at the Executive Vice President level or above. Nothing in the conditional offer letter, this Attachment or other communications, with the sole exception of the Agreement for Arbitration set forth below, creates or implies any promise of specific treatment upon which you can rely.

PRE-EMPLOYMENT INQUIRIES

As a condition of employment, the results of your pre-employment drug test and background check must be satisfactory to QWEST, in its sole discretion, regardless of whether you are placed on the payroll or begin work prior to the determination as to whether your results are satisfactory. The background check may include, but is not limited to, verification of social security number, work experience, training, licenses, certificates, and educational experience and examination of your driving record and criminal history.

COMPLIANCE WITH LEGAL REQUIREMENTS AND POLICIES

As a condition of employment, within three business days of beginning work, you must complete the Form I-9 and present appropriate documents, as required by the federal government, to establish your identity and eligibility to work in the United States. You must provide satisfactory original documentation from the lists on the Form I-9. You must agree to abide by the Qwest Code of Conduct and Qwest policies as they are issued or modified from time to time. Within fourteen days of starting employment, you must complete a statement acknowledging that you have reviewed the Qwest Code of Conduct. In addition, you must complete periodic compliance training as a condition of continuing employment. Now and throughout your employment with QWEST, you are required to disclose to QWEST's Corporate Compliance department all potential or actual conflicts of interest. You must familiarize yourself with QWEST's Conflict of Interest Policy, which is part of the Qwest Code of Conduct, so that you can identify potential conflicts of interest. Situations in which conflicts may arise include, but are not limited to, those involving the employment of relatives, you having a direct financial interest in a competitor's or supplier's firm, or you holding a job outside of QWEST with a supplier or competitor. Please contact Corporate Compliance if you have any questions about this policy or need more detailed information. If you do not identify any conflicts of interest to the Corporate Compliance department prior to signing this Attachment, then by signing, you are confirming to QWEST that you have no conflicts of interest.

INTELLECTUAL PROPERTY

As a condition of employment, you must agree that any inventions, discoveries, creations (including without limitation software, writings, drawings and other works), improvements, Confidential Information and other intellectual property that you may develop or create, or assist in developing or creating during your employment with QWEST, whether or not patentable or eligible for copyright, that relate to the actual, planned, or foreseeable business or other activities of QWEST, or that result from your work for QWEST, shall be the exclusive property of QWEST. You shall promptly disclose such property to QWEST and shall, both during and after your employment, and without additional compensation, execute all assignments and other documents and do all things reasonably necessary to secure and enforce U.S. and foreign intellectual property rights for QWEST, including patents and copyrights. You are not obligated to assign any intellectual property to QWEST that you created prior to your employment with QWEST. You must identify in writing on a separate page any such intellectual property that has not been patented or published and forward it along with this Attachment to QWEST.

CONFIDENTIAL INFORMATION

As a condition of employment, you must agree that during your employment with QWEST, you shall not disclose or use for the benefit of any person or entity other than QWEST any Confidential Information, as defined below. In addition, during your employment with QWEST, you shall not disclose or use for the benefit of QWEST, yourself or any other person or entity any confidential or trade secret information belonging to any former employer or other person or entity to which you owe a duty of confidence or nondisclosure of such information. On the day your employment with QWEST ends, you shall return all Confidential Information to QWEST.

From that day forward you shall not disclose Confidential Information to any person outside QWEST, or use Confidential Information for any purpose. "Confidential Information" is any oral or written technical or business information not generally known outside of QWEST, including without limitation, sensitive business information, trade secrets, intellectual property, customer records and lists, negotiations, policy manuals, merger and acquisition plans, training materials and marketing plans, corporate financial information, software and documentation, performance evaluations, analyses of competitive products, contracts and sales proposals, employment records, other critical and sensitive information, internal audit reports, and all information regarding which QWEST owes a third party a duty of confidence or nondisclosure.

NON-SOLICITATION

As a condition of employment, you must agree that during the term of your employment with QWEST and for a period of one year after termination for any reason, you will not directly or indirectly induce, solicit, or entice away from QWEST any person who, at any time during the three months immediately preceding your termination, was an employee of QWEST.

RECOVERY OF BENEFITS, OVERPAYMENTS AND INDEBTEDNESS

As a condition of employment, you must agree that both during your employment and upon termination, QWEST may, where permitted by law, withhold from any compensation due to you, all amounts necessary to compensate the company for your overuse of Time Off with Pay, all amounts you received from the company to which you were not legally entitled, and all indebtedness to the company, including but not limited to unpaid wireless telephone charges and company credit card charges. If you voluntarily leave QWEST within one year or are terminated for violation of the Code of Conduct, you must refund a prorated portion of any hiring bonus and relocation expenses you received (including any tax payments made on these amounts on your behalf) or have that amount withheld from your salary or other compensation. Should QWEST incur legal expenses in collecting these amounts, you are personally liable for such expenses.

AGREEMENT FOR ARBITRATION

As a condition of employment, you must agree that any claim, controversy or dispute between you and QWEST relating in any way to your employment, compensation, the termination of your employment, or the interpretation of the conditional offer letter or this Attachment, whether sounding in contract, statute, tort, fraud, misrepresentation, discrimination or any other legal theory, including but not limited to disputes relating to the interpretation of the conditional offer letter or this Attachment; claims under Title VII of the Civil Rights Act of 1964, as amended; claims under the Civil Rights Act of 1991; claims under the age Discrimination in Employment Act of 1967, as amended; claims under 42 U.S.C. sections 1981, 1981a, 1983, 1985, or 1988; claims under the Family and Medical Leave Act of 1993; claims under the Americans with Disabilities Act of 1990, as amended; claims under the Rehabilitation Act of 1973, as amended; claims under the Fair Labor Standards Act of 1938, as amended; claims under the Employee Retirement Income Security Act of 1974, as amended; claims under the Colorado Anti-Discrimination Act; or claims under any other similar federal, state, or local law or regulation, whenever brought or amended, shall be resolved by arbitration. However, if you would be legally required to exhaust administrative remedies before obtaining legal relief, you can and must exhaust such administrative remedies prior to pursuing arbitration. The only legal claims between you and QWEST that are not included within this Agreement for Arbitration are claims by you for workers' compensation or unemployment compensation benefits. **By signing this Attachment, you voluntarily, knowingly and intelligently waive any right you may otherwise have to seek remedies in court or other forums, including the right to a jury trial. QWEST also hereby voluntarily, knowingly and intelligently waives any right it might otherwise have to seek remedies against you in court or other forums, including the right to a jury trial.** The Federal Arbitration Act, 9 U. S.C. sections 1-16 ("FAA") shall govern the arbitrability of all claims, provided that they are enforceable under the FAA, as it may be amended from time to time. In the event the FAA does not govern, the Colorado Uniform Arbitration Act shall apply. In the event the Colorado Uniform Arbitration Act may not lawfully be applied, the law of the state in which you principally performed the duties of your position with QWEST shall apply. Additionally, the substantive law of Colorado, to the extent it is consistent with the terms stated in this Attachment, shall apply to any common law claims. This Agreement for Arbitration supersedes any prior arbitration agreement between you and QWEST.

A single arbitrator engaged in the practice of law shall conduct the arbitration under the applicable rules and procedure of the American Arbitration Association ("AAA"). Any dispute that relates to your employment with QWEST or to the termination of your employment will be conducted under the AAA National Rules for the Resolution of Employment in effect when the demand for arbitration is filed. The parties shall mutually agree upon an arbitrator and a location for the arbitration within metropolitan Denver, Colorado. Other than as set forth herein, the arbitrator shall have no authority to add to, detract from, change, amend, or modify existing law. The arbitrator shall have the authority to order such discovery as is necessary for a fair resolution

NAME
DATE
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of the dispute. The arbitrator may award punitive damages, where provided for by statute or the common law, subject to applicable caps (including but not limited to those set forth in 42 U.S.C. Section 1981(a), regardless of any limitations imposed by federal, state, or local laws regarding punitive damage awards in arbitration proceedings. All arbitration proceedings, including without limitation, settlements under this Agreement for Arbitration will be confidential. You shall not be required to pay more than One Hundred Fifty Dollars of the arbitrator's hourly fees and expenses. The prevailing party in any arbitration shall be entitled to receive reasonable attorneys' fees as provided by law. The arbitrator's decision and award shall be final and binding, as to all claims that were, or could have been raised in the arbitration, and judgment upon the award rendered by the arbitrator may be entered to any court having jurisdiction thereof. The arbitrator's award shall be in writing and shall reveal the essential findings and conclusions on which the award is based. If any party hereto files a judicial or administrative action asserting claims subject to this Agreement for Arbitration, and another party successfully stays such action and/or compels arbitration of such claims, the party filing said action shall pay the other party's costs and expenses incurred in seeking such stay and/or compelling arbitration, not to exceed two thousand, five hundred dollars.

By signing below, I affirm my understanding of and agreement to the terms and conditions set forth above, and hereby accept this offer of employment:

Signature: ______________________________ Date: ___/___/___

SSN ___-___-___ Date Of Birth: ___/___/___

QWEST EXIT CHECKLIST

QWEST EXIT CHECKLIST
FOR DEPARTING EMPLOYEES
(MANAGEMENT & OCCUPATIONAL)

This form must be completed by the supervisor of the exiting/terminating employee and forwarded to Human Resources prior to an employee's final exit from Qwest

Employee Name **SSN:**

Job Title: **Department:**

Work Address:

Employee Last Day Worked:

Emp ID: **Employee Termination Date:**

Supervisor Name: **Phone:**

Supervisor Title:

Retain in Personnel File After Completion

"X" Indicates Completed	OBTAIN ALL	DISPOSITION OF RETURNED ASSETS**
☐	Qwest photo identification.	Return to local ID unit or security office.
☐	Qwest calling cards, credit cards, cash advances, field drafts.	Return to the issuing unit, e.g., Finance, Corporate Credit Cards, Accounts Payable.
☐	Copies of keys issued to the employee, e.g., for doors, cabinets, desks, tool lockers, equipment vehicles.	Return to appropriate function, e.g. building manager, security manager.
☐	Computer-controlled building access card devices issued to the employee, e.g., magnetic strip, proximity, combination photo/ID card.	Return to appropriate function, e.g. building manager, security manager.
☐	Any entity/organization-unique property of assets in the possession* of the employee.	Return to the appropriate management function for the asset involved.
☐	Qwest-owned equipment assets issued to, or in the possession of the employee, e.g., Pagers, computers, modems, printers, fax machines, copiers, calculators, test equipment, tools. **NOTE:** PCS phones can be retained by the ex-employee at their expense. Complete the attached Departing Employee PCS Conversion Form.	Follow your department-specific process for turning in these assets. For Arch pagers, refer to your Authorized Ordering Rep (AOR) or call (800) 676-2980 to turn in or reassign pagers. **NOTE:** Unless this number is called, departments will continue to be billed for pagers assigned to them even when they are turned off.
☐	Copyrighted, licensed or otherwise protected information assets in the employee's possession*, e.g., commercial computer software products and related documentation regardless of age or currency of use, video tapes, third-party owned information assets entrusted to Qwest, training materials.	Manager arranges retrieval and forwards to either the departing employee's replacement, to the office assistant, to IT, or to third-party owner.
☐	All records and notes belonging to Qwest in the employee's possession. This includes all recorded information for Qwest, regardless of medium or characteristics, including paper, computer hard disk, electronic mail, diskette, or other media. Such records have been reviewed and retained, archived, or destroyed in accordance with the Qwest Records Retention Compliance Plan.	Manager oversees the records review process and ensures records are properly labeled, filed, archived, or disposed of securely if they have fulfilled corporate retention requirements.
☐	Computer and network access IDs. Also, any special devices, e.g., Security ID issued to facilitate remote computer access via dial-up.	Provide the system and network access information and IDs to the appropriate system/network security administrator or, if unknown, to Qwest Security

*"Possession" should be construed to include any Qwest-owned assets that the employee may have in his or her home or vehicle.

QWEST ASSET ACCOUNTABILITY ACKNOWLEDGMENT FOR DEPARTING EMPLOYEES (MANAGEMENT & OCCUPATIONAL)

I certify that all Qwest property in my possession will be returned by the designated date. I understand that Qwest will use appropriate legal processes to obtain any Qwest property I do not return.

I further understand that I may no longer access Qwest assets or disclose Qwest information after my departure date. This includes but is not limited to, voicemail, E-mail, computer systems, networks and Qwest information assets.

Employee's Signature: ______________________ Date: ______________

Supervisor's Signature: ______________________ Date: ______________

List Qwest property not returned by the employee:

Follow-up assigned to: ______________________ Date: ______________

SUPERVISOR NOTE: *In the event that the employee declines to sign this acknowledgment form, read the acknowledgment statements to the employee aloud, in the presence of another management witness and mark the statement below:*

☐ The above employee declined to sign this acknowledgment form. The above statements were read aloud to the employee in the presence of the witness named below.

Witness Name: ______________________ Date ______________

Witness Signature: ______________________

Departing Employee PCS Conversion

You have been identified as an individual who has a company-owned cellular phone for business purposes. W would like to make this telephone available for you to keep and use after your term of employment has ended. In order to keep your wireless phone phone, you must sign up for Qwest wireless service and satisfy the terms of that service

Please complete this form *prior to your departure*:

Employee Name: ______________________________

Social Security #: ______________________________

Business PCS #: ______________________________

☐ NO - I am not interested in keeping my business PCS phone for personal use. I will return it to my supervisor when I leave.

☐ YES I would like to keep my business PCS phone for personal use. Please change my billing informatio to reflect the following:

Effective Date: ______________________________

Billing address: ______________________________

____

Billing telephone number: (________) ______________________
(for credit reference)

Contact telephone number: (________) ______________________
(OTHER than PCS and only if different than BTN)

E-mail address (if available): ______________________________

Do you want the same PCS phone number, or would you prefer to have it changed?

☐ Keep it. ☐ Change it (you will be notified of new number)

➤ **FAX this completed form to: (720) 947-4000**

You will need to sign up for one of the existing Qwest consumer price plans and any additional services (MessagePak, Home/Office Link, Call Waiting, etc.). These may be found online at:

http://www.uswestwireless.com/advancedpcs/learn/plans/plans.shtml

Please refer to the following website for additional information:

http://enterprise.uswc.uswest.com/wip/ocstransfer/

SERVICES AGREEMENT

BETWEEN

QWEST COMMUNICATIONS CORPORATION

AND

QWEST CORPORATION

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EXHIBITS

SERVICES AGREEMENT
QWEST CORPORATION
AND
QWEST COMMUNICATIONS CORPORATION

THIS AGREEMENT is made as of the first day of _________ by and Between:

Qwest Communications Corporation (hereinafter "QCC")

Qwest Corporation (hereinafter "Qwest Corp") and:

The parties agree as follows:

ARTICLE 1
SERVICES

A. QCC agrees to provide services ("Services") to Qwest Corp as documented in a Task Order (incorporated herein as Exhibit A), and Qwest Corp agrees to pay for these services consistent with the Task Order.

B. The Task Order shall include at a minimum the following information:

- Description/Location of Service/s Requested
- Dates of Commencement and Completion of Service/s Requested
- Units and Price per Unit for Requested Service/s
- Costing Methodology
- Expected Frequency
- Special Equipment, if required
- Numbers (range) and type of personnel in work group to perform functions.

C. The parties shall comply with the Qwest Corporation Technology Fair Compensation Policy when Services requested include technical information, software, inventions, functional specifications, and other researched or developed products or Services.

ARTICLE 2
TERM

This Agreement shall become effective as of __________ and will remain in full force and effect until either party provides sixty (60) calendar days written notice of termination to the other party. If this Agreement is terminated prior to the completion of any Services, Qwest Corp shall pay for all charges billed and owing to QCC for Services performed up to and including the date of termination, provided Services performed are in accordance with the terms and conditions of this Agreement. QCC shall complete any such work in progress prior to the termination of the Agreement, and QCC shall perform such services in accordance with the terms and conditions of this Agreement.

ARTICLE 3
BILLING

A. QCC shall submit invoices to Qwest Corp for Services provided in accordance with the terms and conditions of this Agreement on a monthly basis unless otherwise specified in the Task Order. Qwest Corp shall notify QCC of the address to which invoices are to be sent.

B. Invoices shall include the following billing information as a minimum:

1. Invoice number
2. Payment due date
3. Date of Service
4. Description of charges
5. Applicable taxes
6. Total charge

ARTICLE 4
INDEPENDENT CONTRACTOR

QCC hereby declares and agrees that it is engaged in an independent business and will perform its obligations under this Agreement as an independent contractor and not as the agent or employee of Qwest Corp; that QCC does not have the authority to act for Qwest Corp or to bind Qwest Corp in any respect whatsoever, or to incur any debts or liabilities in the name of or on behalf of Qwest Corp; that any persons provided by QCC shall be solely the employees or agents of QCC under its sole and exclusive direction and control. QCC and its employees or agents are not entitled to Qwest Corp's unemployment insurance benefits as a result of performing under this Agreement. QCC shall be solely responsible for all matters relating to payment of its employees and agents, including compliance with worker's compensation, unemployment, disability insurance, social security withholding, and all other federal, state and local, rules and regulations. QCC shall indemnify and hold Qwest Corp harmless from any causes of action arising out of QCC's liability to its employees or agents.

ARTICLE 5
PROPRIETARY INFORMATION

Solely for the purposes of providing Services under this Agreement, each party grants to the other a nonexclusive, nontransferable license to use information provided by the other. Neither party shall publish, circulate, or otherwise distribute or disclose any such information that is marked proprietary or confidential to any third party other than its affiliates and its consultants who have executed a confidentiality agreement unless and until (1) the original disclosing party has consented to such disclosure and such third party executes a confidentiality agreement containing terms substantially similar to the ones contained in this Agreement, (2) such information has come into the public domain through no fault of Qwest Corp or QCC, (3) such information is otherwise in the possession of Qwest Corp or QCC free of any obligation of confidentiality, or (4) such party is required to do so by regulatory mandate.

Any third party information provided by Qwest Corp or QCC to the other party shall be deemed Qwest Corp or QCC information according to its source and shall be treated accordingly. If such information is subject to a separate agreement with a third party, the party receiving information agrees to hold and use the information in strict accordance with the separate agreement, provided it has knowledge of the separate agreement, unless otherwise instructed in writing by the party providing the information.

ARTICLE 6
INDEMNIFICATION

A. QCC shall indemnify and hold harmless Qwest Corp, its owners, parents, subsidiaries, affiliates, agents, directors and employees against all Liabilities to the extent they arise from or in connection with (1) the fault or negligence of QCC, its officers, employees, agents, subcontractors and/or representatives; and/or (2) the furnishing, performance or use of any Services under this Agreement or any product liability claims relating to any Services; and/or (3) failure by QCC, its officers, employees, agents, subcontractors and/or representatives to comply with the Article entitled "Compliance with Laws;" and/or (4) assertions under workers' compensation or similar employee benefit acts by QCC or its employees, agents, subcontractors, or subcontractors' employees or agents.

B. Qwest Corp shall indemnify and hold harmless QCC, its owners, parents, subsidiaries, affiliates, agents, directors and employees against all Liabilities to the extent they arise from or in connection with (1) the fault or negligence of Qwest Corp its officers, employees, agents, subcontractors and/or representatives; and/or (2) the furnishing, performance or use of any Services under this Agreement or any product liability claims relating to any Services; and/or (3) failure by Qwest Corp, its officers, employees, agents, subcontractors and/or representatives to comply with the Article entitled "Compliance with Laws," and/or (4) assertions under workers' compensation or similar employee benefit acts by Qwest Corp or its employees, agents, subcontractors, or subcontractors' employees or agents.

ARTICLE 7
LIMITATION OF LIABILITY

Neither party is liable to the other for consequential, incidental, indirect, punitive or special damages, including commercial loss and loss profits, however caused and regardless of legal theory or foreseeability, directly or indirectly arising under this Agreement. Notwithstanding the foregoing, the parties are liable in accordance with the provisions of this Agreement and this limitation of liability shall not apply to the indemnification obligations under this Agreement.

ARTICLE 8
REGULATORY SUPPORT

This agreement shall comply with all state statutes and regulations, and QCC shall bear the financial risk if it does not. The parties agree that to the extent Qwest Corp is under the regulation of federal or state agencies, QCC will provide cooperation and support for Qwest Corp's response to regulatory inquiries or discovery requests concerning this Agreement or relationships derived from this Agreement.

ARTICLE 9
COMPLIANCE WITH LAWS

A. The parties shall obtain and maintain at its own expense all permits and licenses and pay all fees required by law with respect to any Services and/or performance of this Agreement. The parties shall, in connection with performance of and Services under this Agreement, comply with all applicable federal, state, and local laws, ordinances, rules, regulations, court orders, and governmental or regulatory agency orders ("Laws"), including, without limitation:

1. The Communications Act of 1936, as amended and all rules, regulations and orders issued in connection with that Act and this Agreement shall, to the greatest extent possible, be construed to be consistent with the same.

2. Laws relating to non-discrimination in employment, fair employment practices, equal employment opportunity, employment opportunities for veterans, non-segregated facilities, and/or employment of the disabled, except to the extent a party is exempt therefrom; and the Laws and contract clauses required by those Laws to be made a part of this Agreement are incorporated herein by this reference.

3. The Laws referred to in the Article entitled "Independent Contractor".

B. QCC acknowledges that Purchase(s) and/or Confidential Information ("Exports") may be subject to U.S. and applicable foreign export laws or regulations. QCC shall perform its obligations under this Agreement in a manner consistent with the requirements of all applicable U.S. and all applicable foreign laws and regulations, including the U.S. export laws and regulations, the Foreign Corrupt Practices Act, and anti-boycott laws, and U.S. export laws and regulations prohibiting the unauthorized export or re-export of certain items to residents of countries listed in U.S. Export Administration Regulations.

C. The requirements of this Article shall survive the expiration, termination or cancellation of this Agreement. All provisions of this Article shall also apply to all subcontractors, and similar terms shall be included in all QCC's contracts with subcontractors.

ARTICLE 10
NOTICES

Where written notices, demands, or other communications are required under this Agreement, they shall be deemed duly given when made in writing and delivered to the other party's address listed below. Addresses may be changed by written notice to the other party. Notices shall be delivered by hand, overnight courier service or certified mail, return receipt requested. Notification will be deemed to have taken place upon delivery, if delivery is by hand, overnight courier service or five (5) calendar days after posting if sent by certified mail.

Qwest Communications Corporation
Attention: Contract Manager
Contract Development & Services
7800 East Orchard Road, Suite 250
Englewood, CO 80111-2526

Qwest Corporation.
Attention: Contract Specialist
Contract Development & Services
7800 East Orchard Road, Suite 250
Englewood, CO 80111-2526

ARTICLE 11
DISPUTE RESOLUTION

A. Any claim, controversy or dispute which arises between the parties, their agents, employees, officers, directors or affiliates ("Dispute") which the parties are unable to settle through consultation and negotiation may be mediated under the Commercial Mediation Rules of the American Arbitration Association ("AAA") by a mutually acceptable mediator. Any Dispute which cannot be resolved through negotiation or mediation shall be resolved by binding arbitration as provided in this Article. The arbitrability of claims shall be determined under the Federal Arbitration Act, 9 USC Secs. 1-16. Notwithstanding the foregoing, the parties may cancel or terminate this Agreement in accordance with its terms and conditions without being required to follow the procedures set forth in this Article.

B. A single arbitrator engaged in the practice of law, who is knowledgeable about the subject matter of this Agreement and the matter in Dispute, shall conduct the arbitration under the rules of the AAA then in effect, except as otherwise provided herein. The arbitrator shall be selected in accordance with AAA procedures from a list of qualified people maintained by the AAA. The arbitration shall be conducted in Denver, Colorado, and all expedited procedures prescribed by the AAA rules shall apply. The laws of Colorado shall govern the construction and interpretation of this Agreement. The arbitrator's decision and award shall be final, conclusive and binding, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

C. Either party may request from the arbitrator injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the Dispute is otherwise resolved. The arbitrator shall not have authority to award punitive damages. Each party shall bear its own costs and attorneys' fees, and the parties shall share equally the fees and expenses of the mediator and arbitrator.

D. If any party files a judicial or administrative action asserting claims subject to arbitration, as prescribed herein, and another party successfully stays such action and/or compels arbitration of said claims, the party filing said action shall pay the other party's costs and expenses incurred in seeking such stay and/or compelling arbitration, including reasonable attorneys' fees.

E. QCC agrees that in the event of any Dispute between the parties, it will continue to provide Services without interruption.

ARTICLE 12
SEVERABILITY

Any term or provision of this Agreement which is held to be invalid, void, unenforceable or illegal will in no way affect, impair or invalidate the remaining terms or provisions, which will remain in full force and effect, consistent with the original intent of the parties. However, if such provision is an essential element of the Agreement, the parties shall promptly attempt to negotiate a substitute therefore.

Qwest Communications Corporation	**Qwest Corporation**
______________________	______________________
Signature	Signature
______________________	______________________
Name Printed or Typed	Name Printed or Typed
______________________	______________________
Title	Title
______________________	______________________
Date	Date

SUMMARY OF AFFILIATE TRANSACTIONS

☐ Original Summary of Services ☐ Amendment (#) ☐ Terminated Services ☐ Asset Transfer

For services provided or assets transferred: from ___ to ___ Qwest Corporation to __ from__ _____, a Qwest affiliate.
Is the Qwest affiliate a Section 272 subsidiary: ___

Description of Services Provided or Assets Transferred:

Effective Date: **Termination Date** (if applicable):

Estimated Annual Revenues/Expenses to Qwest Corporation or Gross Book Value, listed by Primary USOA Account:
Amount: Account:
$

Methodology of Assigning Qwest Revenues/Expenses to the States:
☐ Standard company prorates
☐ Other (Please explain below and specify the percentage assigned to each state.)

Assets transferred at higher __or lower ___of net book value or fair market value.
Net book value by state: $
Fair market value by state: $

Expected Pricing Methodology for Services:
___Tariff
___Rates in publicly filed agreements submitted to a state commission pursuant to Section 252(e)
___Prevailing Company Price
___Higher of Fully Distributed Cost or Fair Market Value
___Lower of Fully Distributed Cost or Fair Market Value

For Transactions with Section 272 Subsidiaries, Please Provide the Following Information:

Special Equipment:
Number of Personnel Required:
Title(s) of Personnel and Level of Expertise:
Expected Frequency: Daily
Pricing: See addendum for the actual prices charged.
Approved By:

Qwest Corporation	Name of Qwest Affiliate:
Signed: ________________	Signed: ________________
Printed Name: ________________	Printed Name: ________________
Title: ________________	Title: ________________
Date: ________________	Date: ________________

Comments:

SAMPLE CONTENTS FROM QCI'S HOMEPAGE

DSL WIRELESS INTERNET QWEST DEX SEARCH

RESIDENTIAL SMALL BUSINESS LARGE BUSINESS PARTNERS WHOLESALE HOME

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About Qwest

COMPANY INFORMATION MEDIA INFORMATION INVESTOR INFORMATION THIS IS QWEST PUBLIC POLICY

Affiliate Transactions

- Overview
- Posting Procedures
- Current Transactions
- Posting Summary
- Tariff Rated Services
- Terminated Transactions
- Certification Statement
- Written Copies

Qwest Communications Corporation Section 272 Affiliate Transactions

Definitions

Qwest Corporation (QC) is a Bell Operating Company (BOC).

Qwest Communications Corporation (QCC) is a Section 272 affiliate.

Overview

Section 272 of the Telecommunications Act of 1996 requires that transactions between a Bell Operating Company (BOC) and its Section 272 affiliate must be "reduced to writing and available for public inspection".

Qwest Corporation, Inc. (formerly U S WEST Communications, Inc.) is a BOC as defined by Section 272. Qwest Communications Corporation is a Section 272 affiliate as of March 26, 2001. This web site includes the transactions between Qwest Corporation and Qwest Communications Corporation.

Qwest Corporation will comply with each of the requirements of Section 272, as well as all of the related regulations promulgated by the FCC. Accordingly, this site contains transactions between Qwest Corporation and Qwest Communications Corporation, including a section labeled "Tariff Rated Services" which describes services that Qwest Communications Corporation purchases out of Qwest Corporation's tariffs. This section also contains a hot link to the Qwest Internet site where the tariffs themselves can be found.

Documentation of new and ongoing activities is located in the section entitled "Current Transactions". The Master Services Agreement and related Work Orders document the rates, terms and conditions of services provided by QC to QCC. The Services Agreement and related Task Orders document the rates, terms and conditions of services provided by QCC to QC.

"Terminated Transactions" represent transactions that have expired or have been replaced.

Documentation of new transactions will be posted on the Internet within ten (10) days of being executed by both parties. In the event that an Agreement is executed before a rate or other specific term has been developed for the service, the posted Agreement will contain a notation that the rate or other specific term is "to be determined". Once new information is received, the Agreement will be updated and the new information will be posted within 10 days.

Qwest Corporation has another Section 272 affiliate, Qwest Long Distance. To view transactions between Qwest Corporation and Qwest Long Distance, please click here:

http://www.qwest.com/about/policy/docs/long_distance.html

QCC EMPLOYEE TRAINING

CONTINUATION

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Docket No. UT-003022
Exhibit JLB-23
May 14, 2001

QWEST COMMUNICATIONS CORPORATION

SECTION 272 COMPLIANCE

Conducting Business With Qwest Corporation

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Definitions

- Qwest Communications International Inc.: the publicly-traded parent company of all Qwest affiliates

- Qwest Corporation (QC) : formerly known as U S WEST Communications, Inc. QC is the "pre-merger U S WEST" incumbent local exchange carrier and Regional Bell Operating Company (RBOC)

- Qwest Communications Corporation (QCC): the "pre-merger Qwest" operating company and separate 272 affiliate of QC through which Qwest will ultimately provide in-region, interLATA services upon receipt of 271 relief

Section 272 Requirements

- Qwest Communications International Inc. must create a separate affiliate and properly operate the separate affiliate in order to be permitted to offer in-region, interLATA long distance service
- Contains 4 key provisions plus audit requirements which are of particular importance to QCC
  - Section 272(a) - Separate Affiliate
  - Section 272(b) - Structural and Transactional
  - Section 272(c) - Nondiscrimination
  - Section 272(d) - Biennial Audit
  - Section 272(g) - Joint Marketing Provisions
- Section 272 defines the separate affiliate structure and business relationship between QC and QCC, which is known as the Section 272 or long distance subsidiary

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Section 272 Requirements

Section 272(a) - Separate Affiliate

- QC may only offer in-region, interLATA long distance service through a separate affiliate
  - QCC is an indirect, wholly owned subsidiary of Qwest Communications International Inc.
  - QCC holds certificates of authority to transact business in all 14 states in Qwest's service territory
  - QCC does not own stock of QC and QC does not own stock of QCC

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Section 272 Requirements

Section 272(b) - Structural and Transactional

- This section is a critical component of Section 272
  - Assures competitors that QC and QCC are operating independently and QCC is not receiving preferential treatment that would give it an unfair advantage in the market
- 5 key provisions must be demonstrated to show separateness
  - Operate independently
  - Separate books, records, and accounts
  - Separate officers, directors, and employees
  - Creditors of QCC may not have recourse to QC assets
  - Transactions at arm's length, reduced to writing, and posted on the Internet

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Section 272 Requirements

Section 272(b)(1) - Operate Independently

- QC and QCC cannot jointly own network facilities, or the land or buildings where those facilities are place
  - No transfer of any network facilities from QC to QCC
  - No operation, installation, or maintenance (OI&M) of QC's facilities by QCC
  - No OI&M on QCC facilities by QC or any other Qwest affiliate
- QC cannot provide discriminatory access to network service

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Section 272 Requirements

Section 272(b)(2) - Separate Books, Records, and Accounts

- QCC must maintain books, records, and accounts separate from the books, records, and accounts of QC

Section 272(b)(3) - Separate Officers, Directors, and Employees

- QC and QCC cannot share officers, directors, or employees
- Employees who perform functions supporting QCC are required to report their time so that QCC can be billed appropriately

Section 272(b)(4) – Creditors of QCC May Not Have Recourse to QC Assets

- QCC cannot obtain credit under any arrangement that would permit a creditor to have recourse to QC's assets
  - QCC's obligations are not co-signed by QC; nor are they co-signed by Qwest Communications International Inc. in a manner that would allow recourse to the assets of QC

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Section 272 Requirements

Section 272(b)(5) - Transactions at Arm's Length, Reduced to Writing, and Posted on Internet

- All transactions between QC and QCC must be reduced to writing
  - Transactions are documented by tariff, stand-alone agreement, or service agreements
- All transactions between QC and QCC must be posted to the Internet within 10 days by QC Regulatory Accounting
- Rates, terms, and conditions of every transaction must be publicly available to ensure accounting safeguards are maintained

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Section 272 Requirements

Section 272(c)- Nondiscrimination

- QC must provide the goods, services, facilities, and information that it provides to QCC to other long distance carriers at the same rates, terms, and conditions
- How does QC and QCC demonstrate compliance with Section 272(c)?
  - QCC must obtain information and services through the same QC processes as other interexchange carriers
  - QCC must obtain other services through a QC carrier account team in the same manner as other interexchange carriers
  - QC must post transactions between QC and QCC on its Internet site

Section 272 Requirements

Section 272(d) - Biennial Audit

- Section 272 requirements will be audited every two years beginning twelve months after Section 271 authority is obtained and QCC is providing in-region, interLATA long distance services

Section 272(g) - Joint Marketing Provisions

- Provides one clear exception to Section 272(c) nondiscrimination requirements
  - Once Section 271 authority is secured, QC may jointly market in-region, interLATA long distance services with QCC
- Like all transactions, QC must document joint marketing agreements and post them to the Internet within 10 days

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What does Section 272 mean to me?

- QCC is ready to provide interLATA long distance service in-region upon QC's Section 271 approval because:
  - A separate affiliate has been formed
  - Necessary processes are in place
  - A structure has been created
  - Employees possess knowledge of the requirements needed to meet and remain compliant with Section 272
- The FCC has authority, under certain circumstances, to retract QC's interLATA authority after it receives Section 271 authority
  - Section 272 requirements must be understood and adhered to by all QC and QCC employees without exception
  - QC employees that interact with QCC or about QCC business must take steps to comply with all requirements

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What if I need a product, service, or information from QC?

- Complete a "Qwest Corporation Request for Affiliate Provided Products/Services/Information" form detailing your business needs
  - A request for standard tariff offerings will continue to go through the QC Wholesale Carrier Account Team for QCC
- Submit the form to the QC Wholesale Senior Account Manager who will review it for consideration
  - If the service is not offered by QC, QCC should contact the party directly
  - If the request is for a service currently offered under the Master Services Agreement, the QC Wholesale Senior Account Manager will forward the request to the Business Unit Affiliate Manager to prepare a work order
- New requests will be reviewed by the QC Compliance Team, Legal, and the associated business unit to determine the risks to the corporation and the business unit's willingness to provide the products/service/information to QCC and if necessary, to others, if asked

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What if I need a product, service, or information from QC? (cont.)

- QCC will be notified of the Compliance Team's final determination by the QC Wholesale Senior Account Manager
  - If the answer is "no", QCC can appeal the decision to QC officer level
  - If the answer is "yes", the QC Wholesale Senior Account Manager sends the request to QC FCC Regulatory Accounting for work order preparation
- FCC Regulatory Accounting determines if the Master Services Agreement covers the new request
  - If it does, the QC Wholesale Senior Account Manager forwards the request to the Business Unit Affiliate Manager to prepare a work order
  - If not, the Agreement is amended and approved by QC and QCC and then a new work order is prepared, priced, and approved
- New work orders must be approved before the requested service/product/information can be provided
- Approved documents -- work order/Master Services Agreement amendment -- must be posted on the Internet within 10 days

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Qwest

Where can I go for more information?

- If you have questions, contact your supervisor or QCC Regulatory Compliance Manager
  - FCC/Regulatory Compliance Managers may be found at http://denntwsi014.qwest.net:1980/departments/compliance/training/cpni_main.html
- If you still have questions after talking to your supervisor or QCC Regulatory Compliance Manager, you may:
  - Send e-mail questions to "ask272@qwest.com"
  - Section 272 Affiliate Transactions Website - www.qwest.com/about/policy/docs/long_distance.html
  - Carrier Wholesale Organization – www.qwest.com/wholesale
  - Effective Tariffs – http://tariffs.uswest.com:8000/iiop/WAImap?objectid=0-2826
  - Corporate Compliance Advice Line -- 800-333-8938

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Qwest

CONTINUATION

[4]

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LETTER FROM SHAUN GILMORE TO SENIOR LEADERSHIP TEAM

Denver, Colorado
June 4, 2001

TO:

Afshin Mohebbi	Mark Evans	Al-Noor Ramji
Joel Arnold	Bill Eveleth	Mark Schumacher
James Becker	Bill Felix	James A. Smith
Gregory M. Casey	Grant Graham	Robin R. Szeliga
Jeff Clark	Tom Hall	Drake S. Tempest
Christopher B Coles	Clifford S. Holtz	John Troka
Augustine Cruciotti	Annette Jacobs	Ian V. Ziskin
R. Steven Davis	Mike Perusse	

As we continue the regulatory process to reenter the long distance market we request your continued focus on two critical activities:

1) Transactions between the regulated BOC (Qwest Corporation) and the 272 subsidiary (Qwest Communications Corporation) must be at arm's length, reduced to writing and posted to the Internet within 10 days. (Section 272 (b)(5))
2) Goods, services, facilities and information that are provided to the 272 subsidiary must be provided to third parties at the same rates, terms, and conditions. (Section 272(c) Nondiscrimination)

Qwest is and will continue to be under intense external scrutiny regarding its compliance with these legal requirements. It is critical that all affiliate transactions follow the above guidelines, be billed accurately and timely, and payment processed promptly.

To assist in the necessary completion of these activities, would you please remind your managers of these rules and requirements as stated in Section 272 of the Telecommunications Act and in FCC orders. Also emphasize the critical importance of timeliness in preparation of agreements, pricing, posting, billing accuracy and processing. This communication will help in ensuring compliance with FCC regulations and avoid the risk of noncompliance that can occur.

Your assistance in disseminating this information to your employees is appreciated.

Judy Brunsting Shaun Gilmore

Senior Director
Business Development

Executive Vice President
Global Products and Solutions

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271(C) OF THE TELECOMMUNICATION ACT OF 1996	))))))	DOCKET TC 01-

QWEST CORPORATION'S

AFFIDAVIT

OF

MARIE E. SCHWARTZ

SECTION 272

OCTOBER 24, 2001

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AFFIDAVIT

OF

MARIE E. SCHWARTZ

Section 272

Marie E. Schwartz states as follows:

My name is Marie E. Schwartz. My business address is 1314 Douglas-On-The-Mall, Floor 10, Omaha, Nebraska 68102. I am a Director in FCC Regulatory Accounting at Qwest Corporation ("the BOC") and am responsible for ensuring Qwest Corporation's regulatory accounting compliance with Section 272 of the Telecommunications Act of 1996 ("the Act").[1]

I. PURPOSE OF AFFIDAVIT

The purpose of my affidavit is to demonstrate that Qwest Corporation is prepared to satisfy all of the relevant requirements of Section 272 of the Act, and related FCC rules, following Qwest Corporation's receipt of in-region, interLATA authority in South Dakota.

My affidavit addresses each of the requirements in Section 272 and how Qwest Corporation's Section 271 authorization will be carried out in compliance with Section

[1] Professional experience, education and other biographical information is set forth in Exhibit MES-272-1.

272, and therefore satisfy the statutory requirement for grant of Section 271 authority. [2] I also review the employee training and awareness efforts that the BOC has undertaken to ensure that the requirements of Section 272 continue to be followed.

Throughout my affidavit, I refer to several different companies within the Qwest Corporate family. Four companies, however, are discussed repeatedly: (1) Qwest Services Corporation ("QSC"), which is the parent corporation to many Qwest subsidiaries and provides corporate services to the Qwest family of companies; (2) Qwest Communications Corporation ("QCC"), which is the 272 Affiliate, (3) Qwest Corporation ("QC"), formerly known as U S WEST Communications, Inc., which is the BOC, and (4) Qwest Long Distance Inc. ("QLD"), formerly named U S WEST Long Distance, Inc., which was the 272 affiliate under U S WEST before the merger with Qwest and will be dissolved during fourth quarter 2001. For ease of reference, throughout the affidavit I may refer to QSC, the parent of QC and QCC, as the "Services Company", QCC as the "272 Affiliate" and QC as the "BOC." Exhibit MES-272-2 illustrates these current relationships.

The BOC has recently received two decisions approving its compliance with Section 272. The Nebraska Commission entered an order on September 19, 2001 that stated that "Qwest Corporation has satisfied the requirements of 47 U.S.C. Section 272

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[2] *See* 47 U.S.C. § 271(d)(3)(B) ("The Commission shall not approve the authorization requested … unless it finds that — … the requested authorization will be carried out in accordance with the requirements of section 272.").

of the Telecommunications Act of 1996 as set forth above".[3] Also, in the multi-state proceedings, a report was issued on September 21, 2001 which stated that, "The record demonstrates that Qwest has met each of the separate affiliate requirements established by section 272 of the Telecommunications Act of 1996".[4]

II. EXECUTIVE SUMMARY

The specific provisions of Section 272 include:

- Section 272(a), Separate Affiliate Requirement
- Section 272(b), Structural and Transactional Requirements
- Section 272(c), Nondiscrimination Safeguards
- Section 272(d), Biennial Audit Requirement
- Section 272(e), Fulfillment of Requests for Telephone Exchange Service
- Section 272(f), Sunset Provisions
- Section 272(g), Joint Marketing
- Section 272(h), Transition Provisions

Section 272(a) requires the BOC to provide in-region, interLATA long distance services through a separate long distance affiliate. The BOC will offer such long

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[3] In the Matter of U S WEST Communications, Inc., Denver, Colorado, filing its notice of intention to file its Section 271(c) application with the FCC and request for the Commission to verify U S WEST compliance with Section 271(c), Application No. C-1830, Section 272 Satisfied, ¶ 35. (Entered Sept. 19, 2001).

[4] Report issued by The Liberty Consulting Group, September 21, 2001, General Terms and Conditions, Section 272 & Track A Report, p. 7.

distance services, upon Section 271 approval, through its long distance affiliate, Qwest Communications Corporation ("the 272 Affiliate").

Section 272(b) requires that the BOC and Section 272 Affiliate operate independently; maintain separate books, records, and accounts; have their own directors, officers, and employees; and, conduct all transactions on an arm's length basis, with all such transactions reduced to writing and available for public inspection. Moreover, the 272 Affiliate cannot obtain credit that will provide recourse to the assets of the BOC. The BOC is prepared to satisfy these requirements of the Act.

Section 272(c) prohibits the BOC from discriminating between the 272 Affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or in the establishment of standards. The BOC is prepared to satisfy this requirement of the Act.

Section 272(d) requires that, once the BOC obtains Section 271 authority, it must obtain and pay for a joint Federal/State audit every two years to determine whether the company has complied with the requirements of Section 272 and the regulations promulgated under Section 272. In particular, the audit will determine whether the company has complied with the separate accounting requirements of Section 272(b). The BOC will adhere to this provision of the Act.

Section 272(e) requires the BOC to fulfill requests from unaffiliated entities for telephone exchange service and exchange access within the same period, under the same terms and conditions, and at an amount that is no more than that for which it provides such services to its 272 Affiliate, or imputes exchange access services to itself (if the BOC is using the access for the provision of its own services). The BOC will satisfy these requirements of the Act.

Section 272(f) contains sunset provisions, which state that the separate affiliate requirements on manufacturing and long distance will end three years after entry in a given state unless extended by FCC rule or order. In addition, Section 272(f) preserves the existing authority of the FCC to prescribe safeguards consistent with the public interest, convenience, and necessity. The BOC will adhere to this section to the extent required by the FCC.

Section 272(g) permits the BOC to join in the marketing and sale of the 272 Affiliate's in-region, interLATA service once the 272 Affiliate is authorized to provide in-region, interLATA services under Section 271(d). The joint marketing of services will be exempt from the nondiscrimination provisions of Section 272(c). Section 272(g) also provides that the 272 Affiliate may not market or sell the BOC's telephone exchange services unless other similar entities are permitted to do the same. The BOC will adhere to these provisions of the Act.

Finally, Section 272(h) gives the BOC one year to conform to the requirements of Section 272 to the extent that it had already engaged in any interLATA long distance or interLATA information services in February 1996. Because the BOC was not engaged in any such activities, this transitional period did not apply to the BOC.

II. TRANSITION TO NEW SECTION 272 AFFILIATE

On June 30, 2000, U S WEST, Inc. merged with Qwest Communications International, Inc. Prior to the merger, U S WEST, Inc. had planned to offer in-region, interLATA services as a reseller, through U S WEST Long Distance, later named Qwest Long Distance. Following the merger, Qwest undertook a comprehensive reorganization that entailed a number of changes to the corporate structure. As part of that process, in August 2000, Qwest decided to reevaluate its plans regarding how it would offer long-distance service in-region following its receipt of Section 271 approval, including the decision about which entity should serve as its Section 272 affiliate.

In January 2001, Qwest Communications International, Inc. decided that the same entity should offer long-distance service both in-region and out-of-region, and that that entity should offer in-region, interLATA services predominately as a facilities-based provider, instead of as a reseller. QCC fit this strategy because it was the Qwest long-distance operating company nationwide prior to the merger, it had interLATA expertise, and it owned network facilities. Therefore, in January 2001, a decision was made to designate QCC as the new 272 Affiliate. On March 26, 2001, after a three-month period of intense transition activity, QCC became a compliant Section 272 Affiliate.

From January through March 2001, the Qwest family of companies worked at transitioning QCC to be Section 272 compliant so that it could serve as its new Section

272 subsidiary as stated above. These activities included such things as realigning employees from the BOC and the 272 Affiliate to the Services Company. The Services Company employees would be providing governance and administrative services to the family of Qwest companies. Other transition activities included writing contractual arrangements between the BOC and the 272 Affiliate, evaluating transactions, reviewing pricing, ensuring posting, training employees about the 272 affiliate rules, and meeting all other requirements of Section 272 as soon as possible. QCC became operational as a 272 Affiliate on March 26, 2001. The BOC now has processes in place to meet all of the requirements of Section 272 for QCC, the 272 Affiliate.

QLD, the previous 272 Affiliate, is no longer operational and will be dissolved during fourth quarter 2001. Until its dissolution, however, QLD is a subsidiary of QSC and maintains the 272 requirements. QLD became a 272 affiliate in 1998, but all transactions with QLD had been identified and posted back to 1996. Therefore, QLD has been 272 compliant for several years. In fact, the Nebraska Public Utilities Commission held that QLD was 272 compliant back in 1999.[5]

QLD was compliant with all Section 272 rules throughout the merger transition, which is discussed below, and will continue to be compliant until its dissolution is completed. Therefore, the BOC has had a compliant 272 Affiliate for many years which

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[5] *See* U S WEST Communications, Inc., Application No. C-1830, Nebraska Public Service Commission, April 9, 1999. Nebraska is the only state that issued an order regarding QLD's compliance with Section 272.

can be used to examine past behavior of the BOC regarding Section 272 compliance. QLD was a separate entity from the BOC with separate officers, employees and directors; all transactions with QLD were documented and posted to an Internet web-site within the 10 day posting requirement (this web-site is still available at http://www.qwest.com/about/policy/docs/long_distance.html); creditors of QLD had no recourse to BOC assets, and other controls were in place to ensure that all activities and transactions with QLD were conducted in accordance with the Section 272 rules. The processes and controls that were in place for QLD were duplicated, enhanced with additional controls, and overlaid onto QCC in order to make QCC 272 compliant as of March 26, 2001.

During the merger transition timeframe from July through December 2000, and the transition from QLD as the designated 272 Affiliate to QCC (the "272 transition") from January through March 2001, the BOC and QCC experienced delays in identifying and billing transactions. The merger resulted in strategic changes as well as conducting major activities associated with consolidating operations, eliminating duplicate functions, employee turnover, realignment of responsibilities and other merger related impacts. When the merger transition triggered a decision to change the designated 272 Affiliate from QLD to QCC, it created additional activities as described above. As a result of the merger transition and 272 transition, the identification of affiliate transactions was hampered, which impacted recording accruals and billing. However, interest charges have been recorded for all instances of delayed billing between the BOC and the 272 Affiliate.

The merger transition and 272 transition periods were one-time, unprecedented events. However, this brief period of billing and accounting delays is not an indication of how the BOC will comply with Section 272 now that the controls and processes are in place and working. In fact, paragraph (h) of Section 272 allowed a one-year transition period for a BOC and 272 affiliate to become 272 compliant regarding services provided, thereby recognizing that 272 compliance takes some period of time to put into place.[9]

III. QWEST CORPORATION, THE BOC, WILL COMPLY WITH THE REQUIREMENTS OF SECTION 272

A. The BOC Complies with Section 272(a) – Separate Affiliate Requirement

Section 272(a) of the Act states that any interLATA long distance service originating in a state within a BOC's region shall be provided through an affiliate separate from any entity that is subject to Section 251(c). The BOC complies with the separate affiliate requirement of Section 272(a).

The BOC is an incumbent local exchange carrier subject to Section 251(c). The BOC will not itself provide in-region, interLATA services originating within its 14-state region as long as the structural separation obligation of Section 272 applies to this activity.

When the BOC receives Section 271 approval from the FCC, interLATA long distance service originating from within South Dakota will be offered exclusively through

9 I am not advocating that Section 272(h) applies to the transitions discussed above, but it is a recognition by Congress that it takes time for a transition to occur.

the 272 Affiliate, QCC. The 272 Affiliate, a wholly owned subsidiary of the Services Company, is fully separate from the BOC. In fact, the 272 Affiliate is already one of the top five interLATA providers nationwide despite the fact that, because of the merger with U S WEST Inc., Qwest Communications International Inc. and its subsidiaries were required to divest themselves of all in-region, interLATA business.[7]

The Services Company is a wholly owned subsidiary of Qwest Communications International Inc. The BOC owns no stock in the 272 Affiliate; nor does the 272 Affiliate own any stock in the BOC. The affidavit of Judith L. Brunsting contains further explanation of the structure and organization of the 272 Affiliate.

B. The BOC Is Prepared to Comply with Section 272(b) – Structural and Transactional Requirements

Section 272(b) places five structural and transactional requirements on the interactions between the BOC and 272 Affiliate. These separate affiliate requirements are addressed in further detail in CC Docket 96-149, the Non-Accounting Safeguards Order, and CC Docket 96-150, the Accounting Safeguards Order.[8] Specifically, Section 272(b) requires that the 272 Affiliate:

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7 See Qwest Communications International Inc. and U S WEST, Inc., Applications for Transfer of Control of Domestic and International Section 214 and 310 Authorizations and Applications to Transfer Control of Submarine Cable Landing License, Memorandum Opinion and Order, CC Docket No. 99-272, FCC 00-231, 15 FCC Rcd 11909 (rel. June 26, 2000) ("Divestiture Order").

8 See Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 96-149, FCC 96-489, 11 FCC Rcd 21905 (rel. Dec. 24, 1996) (subsequent history omitted) ("Non-Accounting Safeguards Order"); Implementation of the Telecommunications Act of 1996:

1) operate independently from the BOC;

2) maintain books, records, and accounts in the manner prescribed by the FCC that shall be separate from the books, records, and accounts maintained by the BOC;

3) have separate officers, directors, and employees from the BOC;

4) not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the BOC; and,

5) conduct all transactions with the BOC on an arm's length basis, with all such transactions reduced to writing and available for public inspection.

The BOC and the 272 Affiliate have processes in place to satisfy these five provisions of Section 272(b) as discussed below.

1. Section 272(b)(1) - Operate Independently

Section 272(b)(1) provides that the BOC and 272 Affiliate shall operate independently. The BOC and the 272 Affiliate currently operate independently and in compliance with the requirements of *the Non-Accounting Safeguards Order*, and will remain in compliance for as long as this requirement is in effect. The BOC and the 272 Affiliate do not and will not jointly own telecommunications switching or transmission facilities, or the land or buildings where those facilities are located for so long as such a restriction applies under the rules.

Accounting Safeguards Under the Telecommunications Act of 1996, Accounting Safeguards Under the Telecommunication Act, Errata, CC Docket No. 96-150, DA-366, 12 FCC Rcd 2993 (rel. Feb. 19, 1996) ("Accounting Safeguards Order").

Not only is there no joint ownership of network facilities, but no switching and transmission facilities have been transferred from the BOC to the 272 Affiliate. Moreover, the BOC is monitoring asset transfers on an ongoing, quarterly basis to ensure compliance with Section 272(b)(1).

Section 272(b)(1)'s requirements include additional rules associated with the performance of operation, installation and maintenance ("OI&M") functions. Neither the BOC nor any other Qwest affiliate performs any OI&M functions associated with the 272 Affiliate's switching and transmission facilities. Similarly, the 272 Affiliate does not perform such functions associated with the BOC facilities. To ensure Qwest continues to meet this requirement, the Services Company conducted extensive one-on-one training with approximately fifty Network department leaders.

2. Section 272(b)(2) - Separate Books, Records, and Accounts

Section 272(b)(2) requires that the BOC maintain separate books, records, and accounts from the 272 Affiliate in the manner prescribed by the FCC. The BOC and the 272 Affiliate are separate legal entities and as such the accounting records of the two entities are not commingled.

The BOC and the 272 Affiliate maintain separate Charts of Accounts. The BOC Chart of Accounts, which is based on the FCC's Uniform System of Accounts for Telecommunications Companies ("USOA"), is attached as Confidential Exhibit MES-272-3C. See Judith Brunsting's affidavit for a copy of the 272 Affiliate's Chart of Accounts.

The BOC's and the 272 Affiliate's general ledgers are completely separate; they were never combined following the merger. The BOC continues to use the same general ledger software that it used before the merger. The system is located in Denver, Colorado. The 272 Affiliate also continues to use its pre-merger accounting system and general ledger, which is located in Arlington, Virginia. In addition, the feeder systems for the two companies are separate. Thus, the 272 Affiliate and the BOC use separate accounting software maintained in separate locations.

System controls are in place to ensure separation between BOC employees and 272 Affiliate employees, and to make sure that employees of each entity cannot obtain access to the other's information systems. Specifically, each employee of the Qwest family of companies is required to be assigned a unique User ID. Once a User ID is assigned, the employee submits a request form, signed by his or her supervisor, for approval by the system control group before access is granted to any specific financial systems. If the employee has a job requiring access to specific systems, the control group enables the employee's User ID to access the particular data sets or applications needed. System edits are entity-specific, requiring that, when accessed, a system displays data only if the correct combinations of User ID, entity code, and account and responsibility code are entered. Additional system edits are designed to provide meaningful controls based on the information and reporting needs of the entity; therefore, data fields that are valid and have meaning for one entity may not be valid for another entity.

The combination of system security, controls and procedures ensures separateness by requiring each company to have its own books, keep its own records, and have its own Chart of Accounts. At the same time, processing on common consolidating financial systems permits consolidated reporting at the Qwest Communications International Inc. level as required for Federal and State tax and Securities and Exchange Commission ("SEC") purposes and is an acceptable practice under Section 272. [9]

The BOC follows Generally Accepted Accounting Principles ("GAAP"), including accrual accounting, to properly record expenses in the period incurred. The audit opinion of Qwest's external auditors, Arthur Andersen, confirms that the BOC follows GAAP in all material respects. See Exhibit MES-272-4, the Report of Independent Public Accountants filed with the Qwest Corporation Annual Report 10K for year 2000. The BOC also follows regulatory accounting rules as required by the FCC. The BOC's books, records, and accounts are maintained in accordance with USOA, Part 32.27, and Part 64.901, Allocation of Costs. In the past, the FCC's Part 64 and CAM audits have never reported a finding that the BOC was not following GAAP. Biennial reports are filed publicly via the FCC's Automated Reporting Management Information System ("ARMIS") and are accompanied by the report of independent accountants, Arthur Andersen, L.L.P. ("Arthur Andersen"), which also has found no material departures from

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9 *See* General Standard Procedures for Biennial Audits Required Under Section 272 of the Communications Act of 1934, As Amended, As of December 18, 1998. ("Biennial Audit Procedures") at Objective II, Procedure 1.

GAAP.[10] The Report of Independent Public Accountants that was filed with the FCC ARMIS 43-03 report for 1999 is attached as Exhibit MES-272-6.

The BOC had difficulty identifying QCC affiliate transactions in 2000 due to the merger transition. The BOC did accrue $1.5M of receivables from QCC for 2000. No accruals were made for payables to QCC in 2000 as they had not yet been identified. In order to facilitate identifying all transactions, the BOC hired Arthur Andersen (AA) as loaned staff in January, 2001 to work under the direction of BOC management[11] to assist in conducting over 140 interviews. These interviews identified transactions between the BOC and the 272 Affiliate back to the merger date, and the transactions identified were then billed with interest in 2001.

The affidavit of Judith L. Brunsting describes the accounting practices of the 272 Affiliate, its Chart of Accounts, and other evidence that establishes that the 272 Affiliate's books, records, and accounts are separate from those of the BOC.

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[10] In Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase I, Report and Order, CC Docket No. 99-253, FCC 00-78, 15 FCC Rcd 8690 (rel. Mar. 8, 2000), the FCC gave carriers the option of choosing an attest examination or financial audit every two years covering the prior two-year period. The rules became effective September 28, 2000. *See* 65 Fed. Reg. 58061 (2000). Thus, the audit engagement for the year 2000 will be combined with 2001 and the report will be issued in 2002.

[11] AA applied no testing procedures, but simply acted as additional professional accounting staff to assist in identifying transactions between the BOC and the 272 Affiliate.

The BOC will continue to maintain books, records, and accounts that are separate from the 272 Affiliate and will comply with Part 32, Part 64, and the Accounting Safeguards Order for as long as these requirements are in effect.

3. Section 272(b)(3) - Separate Officers, Directors, and Employees

Section 272(b)(3) requires that the BOC and the 272 Affiliate have separate officers, directors, and employees. The 272 Affiliate's officers, directors or employees are not officers, directors or employees of the BOC, nor is any BOC officer, director, or employee also an officer, director, or employee of the 272 Affiliate. As long as this requirement of Section 272 applies, no officer, director, or employee of the BOC will simultaneously be an officer, director, or employee of the 272 Affiliate. See Exhibit MES-272-6 for the officer list of the BOC and Judith L. Brunsting's affidavit for the officer list for the 272 Affiliate. Previous Section 271 orders support the view that having officers or directors that report to a common parent does not violate Section 272(b)(3).[12]

The BOC and the 272 Affiliate's employees are paid from separate payrolls. I have overseen a comparison of the BOC and the 272 Affiliate payroll registers conducted in March 2001 by the payroll organization, to ensure no employee appears

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12 Application of BellSouth Corporation, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc., for Provision of In-Region, InterLATA Services in Louisiana, Memorandum Opinion and Order, CC Docket No. 98-121, FCC 98-271, 13 FCC 20599, ¶ 330 (rel. Oct. 13, 1998) ("BellSouth Louisiana II Order"); Application of Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as Amended, To Provide In-Region, InterLATA Services in Michigan, Memorandum Opinion and Order, CC Docket No. 97-137, FCC 97-298, 12 FCC Rcd 20543, ¶ 362 (rel. Aug. 19, 1997) ("Ameritech Michigan Order").

on both payrolls. A comparison of the BOC and the 272 Affiliate officer lists, and a payroll comparison, satisfies the FCC's test for Section 272(b)(3) compliance.[13]

When moving from one organization to another, or from one company to another, employees of the Qwest family of companies apply for jobs through a process that is similar to an external hiring process. In order for an employee to transfer from one affiliate to another, the employee must be terminated and re-hired. Prior to resignation, a departing employee must return any assets such as pagers, cell phones, etc. and then obtain such equipment in accordance with the hiring company's practices.

The FCC does not prohibit employees transferring between the BOC and the 272 Affiliate. As the FCC noted in the Non-Accounting Safeguards Order, Section 272(b)(3) prohibits "simultaneously" serving as an employee of both companies.[14]

For employees who do transfer, numerous controls are in place to help ensure that no unauthorized information sharing takes place between the BOC and the 272 Affiliate. These controls include: (1) the Code of Conduct, which prohibits the sharing of confidential information; (2) Qwest's policy to physically separate the BOC and the 272

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[13] Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to provide In-region, InterLATA Service in the State of New York, Memorandum Opinion and Order, CC Docket No. 99-295, FCC 99-404, 15 FCC Rcd 3953, ¶ 409 (rel. Dec. 22, 1999) ("Bell Atlantic New York Order"); Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services Inc. d/b/a Southwestern Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region Inter-LATA Services in Texas, Memorandum Opinion and Order, CC Docket No. 00-65, FCC 00-238, 15 FCC Rcd 18354, ¶ 401 (rel. June 30, 2000) ("SBC Texas Order").

[14] Non-Accounting Safeguards Order, ¶178.

Affiliate employees; (3) the extensive efforts undertaken to educate employees on Section 272's requirements; and (4) the color-coded dots on company badges and office nameplates that indicate for which company an employee works. Any disregard for these company policies can result in disciplinary action up to and including employee dismissal.

BOC employees who provide services to the 272 Affiliate, and vice versa, do not violate Section 272(b)(3). The FCC specifically allows the provision of services between the affiliates.[15] The BOC employees who provide services to the 272 Affiliate do so under contract. These transactions under contract are conducted at "arm's length," reduced to writing, and available for public inspection consistent with Section 272(b)(5). The Master Services Agreement ("MSA") constitutes the general agreement for services provided by the BOC to the 272 Affiliate. The MSA requires the BOC to perform its obligations as an independent contractor and not as an agent or employee of the 272 Affiliate. See Article 6 of the MSA, which is included as Exhibit MES-272-7. The MSA is available on Qwest's Web-site as required by the Accounting Safeguards Order.[16]

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[15] *See* Non-Accounting Safeguards Order, ¶179 ("We also decline to impose a prohibition on the sharing of services other than operating, installation, and maintenance services, on policy grounds. We find that, if we were to prohibit the sharing of services, other than those restricted pursuant to section 272(b)(1), a BOC and a section 272 affiliate would be unable to achieve the economies of scale and scope inherent in offering an array of services.").

[16] *See* http://www.qwest.com/about/policy/docs/qcc/MSA_qcc.html.

4. Section 272(b)(4) - No Recourse to the BOC's Assets

Section 272(b)(4) prohibits the 272 Affiliate from obtaining credit under any arrangement that would permit a creditor, upon default, to have recourse to BOC assets. The BOC employs three mechanisms to comply with this requirement. First, the BOC is capitalized separately from other Qwest affiliates.

Second, the BOC issues its own direct financial obligations, principally commercial paper, notes, and bonds, to fund its operations. The BOC's commercial paper and long-term debt are rated separately from the other financial obligations of Qwest Communications International Inc. by the rating agencies, further evidencing the separation between the BOC's funding and that of the rest of Qwest Communications International Inc.'s operations. Funding for all Qwest entities other than the BOC, including the 272 Affiliate, is provided by financial obligations issued by Qwest Capital Funding, Inc. ("QCFI"), a separate subsidiary of Qwest Communications International Inc., which guarantees the debt issued by QCFI. Neither the debt obligations issued by QCFI nor the guarantee by Qwest Communications International Inc. provides creditors recourse to the assets of the BOC. The BOC does not obtain financing from QCFI.

Third, neither Qwest Communications International Inc. nor the BOC has co-signed a contract or any other instrument that would allow the 272 Affiliate to obtain credit in a manner that grants the creditor recourse to the BOC's assets in the event of a default by the 272 Affiliate. The BOC will continue to satisfy this Section 272 requirement for as long as it applies.

5. Section 272(b)(5) - Transactions at Arm's Length, in Writing and Publicly Available

Section 272(b)(5) requires that all transactions between the BOC and the 272 Affiliate be conducted at arm's length, reduced to writing, and available for public inspection. All services provided by the BOC to the 272 Affiliate are either tariffed services or services provided under separate contract. Tariffed services have always been a matter of public record. Contracted services between the BOC and the 272 Affiliate have been identified and priced according to FCC rules. These services were initially identified through the company's affiliate transaction processes. These processes were supplemented during the transition from QLD to the 272 affiliate, by engaging Arthur Andersen as loaned staff. Arthur Andersen met with key personnel and conducted over 140 interviews to ensure that all transactions had been identified, as I mentioned earlier in my affidavit.

Processes have been established for the 272 Affiliate to purchase non-tariffed products, services, facilities and information under contract. Such transactions are documented in the form of MSAs and work orders. The MSA, attached as Exhibit MES-272-7, contains the general articles governing the way the BOC and the 272 Affiliate conduct business when the BOC provides services to the 272 Affiliate. Work orders are the mechanisms used to document the specific transactions provided under these contracts and contain details regarding each service provided.

Similarly, the Services Agreement ("SA") contains the general articles governing the way in which the 272 Affiliate provides services to the BOC. Task orders are the mechanisms used to document the specific transactions provided under these contracts and contain detailed information. Business unit affiliate managers are responsible for administration and billing of services contained in these work orders and task orders. All agreements are subject to FCC Part 32.27 Affiliate Transaction rules.

Additionally, the BOC established a Compliance Oversight Team to review all services between the BOC and the 272 Affiliate. This team, of which I am a member, is made up of regulatory accounting, legal and public policy experts. The Compliance Oversight Team reviews newly requested services to ensure compliance with Section 272(b)(5) and the nondiscrimination safeguards included in Section 272(c). The charter of the Compliance Oversight Team, which describes its responsibilities, is included in Exhibit MES-272-8. QCC is not a member of, and is not represented on, the Compliance Oversight Team.

The BOC posts its Section 272 transactions on the Internet [17] within ten days of being executed by both parties, in accordance with the rules of Section 272(b)(5) and the Accounting Safeguards Order. Exhibit MES-272-9 includes a sample of the contents of that site.

The transactions posted consist of agreements, work orders, and task orders, which collectively contain all of the information required by FCC orders, including a description of the rates, terms, and conditions of all transactions, as well as the frequency of recurring transactions and the approximate date of completed transactions. For asset transfers, the agreements contain the appropriate quantity and, if relevant, the quality of the transferred assets. For affiliate transactions involving services, the

[17] See http://www.qwest.com/about/policy/docs/qcc/overview.html.

agreements contain "the number and type of personnel assigned to the project, the level of expertise of such personnel, any special equipment used to provide the service, and the length of time required to complete the transaction." [18] Currently, the BOC and the 272 Affiliate have two agreements, fifteen work orders, and two task orders executed to document the arm's length relationship. All existing work orders and task orders are available for public inspection and posted on the Web site, as required. Complete descriptions of past transactions are also posted on the Web site.

Any third party can view the transactions, evaluate the rates, terms and conditions of the offering, and has the option to obtain the same goods or services from the BOC. In addition to contracts, the section labeled "tariff rated services" provides a description of the services that the 272 Affiliate purchases out of the BOC's tariffs. This section also contains a hyperlink to another Web-site where the tariffs themselves can be found.

In addition, posted in the section labeled "Terminated Transactions" is a reference to prior-year or expired transactions. Terminated contracts will remain listed in this section under the link labeled "Expired Agreements" for one year after the date of termination.

The BOC keeps non-public detailed billing information between the BOC and the 272 Affiliate available for viewing at its principal place of business. This billing information is back-up detail calculating the predetermined rates with the basis for pricing, i.e., hours, headcount, level of employee expertise providing the service, etc.

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18 Bell Atlantic New York Order, ¶ 413.

and the actual volume of service used during the billing period. This detailed billing information is available for both current and expired transactions and may be viewed under confidential agreement.

It is important to note that the BOC has taken a conservative approach concerning transactions with the 272 Affiliate. Although QCC was not identified as the Section 272 affiliate of the future until January 2001, and was not operational as a 272 Affiliate until March 26, 2001, the BOC has identified and posted any transactions identified with QCC back to the Qwest–U S WEST merger date of June 30, 2000. This process took considerable effort, but was accomplished in less than three months, from January to March, 2001, under Ms. Brunsting's leadership and with the assistance of loaned staff from Arthur Andersen. All such transactions were identified by March 26, 2001, and the Web-page posting the QCC/BOC transactions was turned up that same day. These postings should eliminate any concerns regarding the types of services being provided between the BOC and QCC before QCC became the 272 Affiliate in March 2001. Postings for transactions with QLD, the previous 272 Affiliate, began in 1996 and have continued without disruption. This is further evidence of the BOC's commitment to Section 272 compliance.

The FCC evaluates the sufficiency of a BOC's Internet disclosures by referring to its ARMIS filings, Cost Accounting Manual ("CAM"), and its CAM Audit workpapers.[19] The BOC performed these reconciliations for QLD for the year ended December 31, 2000, to ensure that they agreed. Reconciliations to ARMIS will be performed on an

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[19] Bell Atlantic New York Order, ¶ 411; SBC Texas Order, ¶ 403.

annual basis for the 272 Affiliate. In addition, the FCC notes that postings will undergo "a thorough and systematic review in the section 272(d) biennial audit, which will ensure that any failure[s] to post sufficient detail are identified in time for appropriate remedial action."[illegible]

Paper copies of Section 272 transactions are accompanied by an officer affidavit stating that the BOC complies with the Section 272(b)(5) requirement to post and make public all transactions between the 272 Affiliate and the BOC, as required in the Accounting Safeguards Order. In March 2001, the BOC erroneously had an officer certification signed by a financial officer of QSC because the BOC had no controller appointed; that document was subsequently replaced by a new certification signed by the BOC's controller, Mark Schumacher, in May 2001. This new officer certification is attached as Exhibit MES-272-10.

In addition, the BOC has undertaken a monthly reconciliation process whereby it compares the billing between itself and QCC each month to the work orders and task orders posted on the Internet. This ensures that the actual billing that is occurring matches the Internet postings. No discrepancies have occurred since the initial billing month of March 2001, when the BOC found and corrected several posting discrepancies. Exhibit MES-272-11 shows the reconciliation results by month.

[illegible] SBC Texas Order, ¶ 405; *see also* Bell Atlantic New York Order, ¶ 412; *see also* Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region InterLATA Services in Kansas and Oklahoma, Memorandum Opinion and Order, CC Docket No. 00-217, FCC 01-29, 16 FCC Rcd 6237, ¶ 260 (rel. January 22, 2001) ("SBC Kansas Oklahoma Order").

To meet the "arm's length" requirement, the 272 Affiliate will place orders for tariffed services in the same manner as other interexchange carriers ("IXCs"), and those orders will be processed by an IXC Sales Executive Team account representative in a nondiscriminatory manner. For example, the 272 Affiliate is required to contact a Sales Executive on its Sales Executive Team to obtain access services. Sales Executives ensure that all IXCs have equal access to the BOC's goods, services, facilities, and information. The BOC's Sales Executive then contacts the BOC business unit who will be providing the requested service.

In summary, the BOC and the 272 Affiliate have processes in place to satisfy the provisions of Section 272(b). They operate independently in compliance with the *Non-Accounting Safeguards Order*; maintain separate books and records; have separate officers, directors, and employees; and obtain debt financing independently. The BOC also satisfies the FCC's requirements for affiliate transactions. Transactions between the BOC and the 272 Affiliate are tariffed and/or represented by contracts made publicly available and posted on the Internet. These transactions are accounted for in compliance with FCC rules as described in Section 32.27 and the Accounting Safeguards Order. Thus, the BOC and the 272 Affiliate have met the FCC's requirement for "internal control mechanisms reasonably designed to prevent, as well as detect and correct, any noncompliance with Section 272." [21]

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[21] Bell Atlantic New York Order, ¶ 405; SBC Texas Order, ¶ 398.

C. The BOC Has Processes in Place to Satisfy Section 272(c) - Nondiscrimination Safeguards

Section 272(c) requires the BOC to treat the 272 Affiliate in the same manner it treats other IXCs. Section 272(c)(1) prohibits the BOC from discriminating between the 272 Affiliate and any other IXC in the provision or procurement of goods, services, facilities, and information, or in the establishment of standards.

The BOC is committed to providing its services to all of its IXC customers, including the 272 Affiliate, on a nondiscriminatory basis. The BOC requires the 272 Affiliate to contact its IXC Sales Executive Team representative to obtain services in the same manner as other IXCs. Standard offerings provided to the 272 Affiliate will be extended to unaffiliated IXCs under the same terms and conditions and at the same rates. Non-standard services and services that have not previously been offered outside the corporate family undergo a review by the Compliance Oversight Team to assess the BOC's nondiscrimination obligation concerning the requested service and its willingness to offer the service to the 272 Affiliate on a nondiscriminatory basis. This rigorous review is depicted in the flowchart attached as Exhibit MES-272-12, which ensures that the BOC satisfies the requirement to provide services to the 272 Affiliate on a nondiscriminatory basis as required under Section 272(c)(1). This process further ensures that all services provided to the 272 Affiliate are submitted such that a work order can be written and priced accordingly, fulfilling the requirement under Section 272(b)(5).

The 272 Affiliate does not currently have access to the BOC's Operation Support Systems ("OSS"). These systems are used to support local retail efforts (such as ordering and pre-ordering interfaces, repair and maintenance, etc.) related to local exchange services, and are available only to Competitive Local Exchange Carriers ("CLECs"). If the 272 Affiliate were to obtain CLEC status at some time in the future, the BOC would require it to access OSS interfaces in the same manner as other CLECs. This would be in keeping with the BOC's current practice, which requires the 272 Affiliate to access services through its IXC Sales Executive Team representative.

Each non-tariffed service available to the 272 Affiliate is reduced to writing either in a stand-alone contract, or in a work order associated with the MSA, as described earlier in my affidavit. With the exception of joint marketing-related services, which will not be subject to a nondiscrimination requirement, these services will also be made available to unaffiliated entities under the same terms and conditions and at the same rates. All future transactions between the BOC and the 272 Affiliate will also be reduced to writing and made available on the Internet.

The BOC and the 272 Affiliate also purchase services from their common parent company, the Services Company, which provides services to the Qwest family of companies. See Exhibit MES-272-13 for a current list of shared services provided to the BOC. These services satisfy the FCC's requirements by being accounted for under the appropriate non-structural safeguards. [22]

Section 272(c)(2) requires the BOC to account for all transactions with the 272 Affiliate in accordance with accounting principles designated or approved by the FCC. The BOC satisfies this requirement for transactions with the 272 Affiliate.

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[22] SBC Texas Order, ¶ 408; SBC Kansas Oklahoma Order, ¶ 261.

The BOC follows the FCC's affiliate transactions rules, as amended in the Accounting Safeguards Order, and applies the appropriate valuation to the BOC's transactions with the 272 Affiliate. Those valuations are based on either tariffed rates, Prevailing Company Price, Fully Distributed Cost or Fair Market Value.

The BOC files reports publicly via the FCC's Automated Reporting Management Information System ("ARMIS") each year. The audit opinion of the BOC's auditor, Arthur Andersen, which is filed with the ARMIS Report 43-03 (also known as the Joint Cost Report), certifies that the BOC complies with GAAP and specified FCC accounting rules. (See Exhibit MES-272-5). While this audit, known as the Joint Cost Audit, does not focus specifically on the relationship between the BOC and the 272 Affiliate, the sample base of affiliate transactions includes a review of general administrative type services that are provided between the two companies. Therefore, the statement of compliance rendered by Arthur Andersen as part of that audit is general in nature and concludes, based on the sample, that the BOC complies with the affiliate transactions rules in all material respects. As I indicated earlier in this affidavit, the FCC has considered historical results of the Joint Cost Audit in order to assess Section 272 compliance in Section 271 applications.[23] Neither the FCC's review of the BOC's accounting information nor the audits conducted by independent auditors have revealed any material discrepancies with the BOC's corporate accounting procedures for affiliate transactions in the last three reports.

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[23] Bell Atlantic New York Order, ¶ 411; SBC Texas Order, ¶ 406.

Additionally, the BOC files an Annual Report Form 10K ("10K") with the Securities and Exchange Commission each year. The 10K includes an auditor's opinion stating that the BOC's financial statements are prepared in compliance with GAAP (See Exhibit MES-272-4). The BOC also files its CAM with the FCC annually. These filings and the Joint Cost audit provide assurance that the BOC accounts for all transactions in accordance with the accounting principles approved by the FCC.

In summary, the BOC is prepared to comply with Section 272(c). The 272 Affiliate must obtain services like any other IXC. These services are documented, priced, and posted according to the requirements set out in Section 272(b)(5). Therefore, the BOC has implemented the proper internal controls and processes to satisfy the requirements of Section 272(c).[24]

D. The BOC Will Satisfy Section 272(d) - Biennial Audit

Section 272(d) requires that, once the BOC receives Section 271 authority, it must obtain and pay for a joint Federal/State audit every two years. An independent auditor must determine whether the company has complied with the requirements of Section 272 and the regulations promulgated under Section 272. In particular, the audit is designed to determine whether the company has complied with the separate accounting requirements of Section 272(b). The FCC has chosen to fulfill the audit requirement by selecting a type of audit known in the accounting industry as an "agreed-upon-procedures" audit. A joint Federal/State biennial audit oversight team will

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24 SBC Texas Order, ¶ 410.

determine the scope of each audit. The biennial audit is required in addition to the Joint Cost audit. The Draft Biennial Audit procedures are attached as Exhibit MES-272-14. These procedures will serve as a template or starting point for the Federal/State biennial audit oversight team and the independent auditor.

The FCC has established that the first biennial audit will be conducted 12 months after the BOC receives its first Section 271 approval.[25] The BOC will engage an independent auditor to conduct the biennial audit according to the audit requirements agreed upon by the Federal/State biennial audit oversight team. The BOC will cooperate to the fullest extent possible in providing any data necessary to assist the auditor in accomplishing its objective. The results of these audits will be provided to the FCC and state regulatory commissions as required.

The auditor will have access to the financial accounts and records of the BOC and the 272 Affiliate, as necessary, to verify that all transactions conducted between them are appropriate under the specific requirements of Section 272. The FCC will have access to the working papers and supporting materials of the auditor who performs the audit with appropriate protection for proprietary information.

The biennial audit acts as an additional control to ensure the BOC complies with the requirements in Section 272. The FCC has placed reliance on the existence of the biennial audit in consideration of Section 271 applications.[26]

25 Accounting Safeguards Order, ¶ 203.

26 Bell Atlantic New York Order, ¶ 412; SBC Texas Order, ¶ 406; SBC Kansas Oklahoma Order, ¶ 260.

E. The BOC Complies with Section 272(e) - Fulfillment of Certain Requests

Section 272(e) contains four express requirements ensuring that the BOC treats the 272 Affiliate similarly to other IXCs with respect to special and switched access. Specifically,

- Section 272(e)(1) provides for nondiscriminatory provision of telephone exchange service and exchange access for unaffiliated entities;
- Section 272(e)(2) prohibits the BOC from providing any facilities, services, or information concerning its provision of exchange access to the 272 Affiliate unless such facilities, services, or information are made available to other providers of interLATA services under the same terms and conditions;
- Section 272(e)(3) requires the BOC to charge the 272 Affiliate, or impute to itself, rates for telephone exchange service and exchange access that are no less than the amount that would be charged to any unaffiliated IXC for such service; and
- Section 272(e)(4) allows the BOC to provide in-region interLATA or intraLATA facilities or service to the 272 Affiliate only if such services or facilities are made available to all carriers at the same rate and under the same terms and conditions.

The BOC does not and will not discriminate in favor of the 272 Affiliate in the provision of telephone exchange service or exchange access. Upon obtaining Section 271 approval, the 272 Affiliate will obtain such services from the BOC under the same tariffed terms and conditions as are available to unaffiliated IXCs. The 272 Affiliate will contact its Sales Executive Team representative at the BOC to obtain services through the same procedures that are available to other IXCs. The BOC's sales representatives will process orders in a nondiscriminatory manner. While Section 272 is in force, the

BOC will actually bill the 272 Affiliate, and the 272 Affiliate will be required to pay for access charges under the same rates, terms and conditions that any other IXC would be charged. Therefore, there is no unfair advantage.

F. The BOC is Prepared to Comply with Section 272(g) - Joint Marketing

Section 272(g)(1) prohibits the 272 Affiliate from marketing or selling telephone exchange services of the BOC except under the same conditions as are available to other similarly situated entities. If the 272 Affiliate markets the BOC's telephone exchange services, the BOC will permit other entities offering services that are the same as or similar to the 272 Affiliate's services (including information services) to market and sell its telephone exchange services.

Section 272(g)(2) prohibits the BOC from marketing or selling in-region, interLATA services provided by the 272 Affiliate within a state until the 272 Affiliate is authorized to provide in-region interLATA services in that state. However, once the BOC obtains Section 271 approval, the BOC and the 272 Affiliate may jointly market services without regard to the nondiscrimination provisions of Section 272(c).

In compliance with the statute and with the terms of the divestiture plan as approved by the FCC on June 26, 2000, the BOC does not currently market or sell in-region, interLATA services, and will not do so until the 272 Affiliate is authorized to provide such services under Section 271. When permitted, the BOC and the 272 Affiliate will market and sell in-region, interLATA services pursuant to arm's length agreements, reduced to writing, available for public inspection, and accounted for in accordance with the then-effective rules of the FCC.

The BOC understands the requirements of Section 272(g) and will comply with these provisions. The BOC also understands that the joint marketing exclusions do not apply to product design, planning, or development. Therefore, if the BOC offers those services to the 272 affiliate, it will be prepared to offer those same services to other entities as well. Currently these services are provided to the 272 Affiliate by the Services Company and therefore are not subject to Section 272 requirements.

IV. THE BOC HAS UNDERTAKEN EDUCATION AND TRAINING EFFORTS TO ENSURE COMPLIANCE

In 1998, the BOC began implementing an education plan specifically targeted at increasing employee awareness and understanding of Section 272 requirements, and this education effort is ongoing. The BOC has instituted process changes to ensure that it conducts business subject to the provisions of Section 272. The BOC has also continued to inform and educate employees about those process changes, as well as the Act and related FCC Orders.

Employees in the Qwest family of companies are required to undergo annual corporate Code of Conduct training and to certify their understanding of and compliance with company policies including regulatory requirements. This annual compliance training includes coverage on affiliate transactions as well as other requirements concerning appropriate employee behavior to ensure Section 272 compliance. See Exhibit MES-272-15.

Annual Code of Conduct training was supplemented with specific Section 272 requirements and delivered to the BOC, the 272 Affiliate, and Services Company management employees via email with a link to the company's internal Web-site and is attached as Exhibit MES-272-16. This training emphasizes the Section 272 transaction and nondiscrimination requirements and provides an email mailbox specifically for Section 272 related questions called ask272@qwest.com.

The BOC also conducts targeted training to employees who conduct business with the 272 Affiliate, specifically the Sales Executive Team representatives. See Exhibit MES-272-17. This training reinforces the process the 272 Affiliate must go through to order service from the BOC as detailed earlier in my affidavit.

To ensure Qwest continues to meet the OI&M requirements, the Services Company conducted extensive one-on-one training with over fifty Network department leaders.

BOC employees must treat the 272 Affiliate like any other IXC. To reinforce employee awareness and facilitate nondiscrimination, the BOC employees and 272 Affiliate employees have been physically separated. This separation was accomplished by using separate buildings, separate floors, or floors with restricted access. In addition, the Services Company has deployed a color coding scheme such that BOC, 272 Affiliate, and Services Company employees display different colors on employee badges and office name plates to indicate the company they work for. The blue dot on my badge and nameplate distinguishes me as a BOC employee.

Qwest Communications International Inc. also offers a Corporate Compliance Advice line for reporting all compliance issues, including any suspected violations of Section 272. The hotline number is 1-800-333-8938. Any employee can call this number for answers to corporate compliance questions or to report suspected violations.

For employees involved in processing affiliate transactions, the Methods for Affiliate Transactions ("MAT") training manual includes Section 272–specific instructions. The MAT is attached as Confidential Exhibit MES-272-18C. The Services Company, the BOC, and the 272 Affiliate continue to hold one-on-one training sessions as needed to focus specifically on the compliance requirements related to Section 272 and the Accounting Safeguards Order.

The BOC will continue to ensure that once Section 271 approval is obtained, business with the 272 Affiliate will be conducted in compliance with Section 272.

V. SUMMARY AND CONCLUSION

My affidavit has shown that past and present 272 compliance practices prove that the BOC is prepared to carry out the requirements of Section 272. Past practices with OLD and present practices with QCC, as described in my affidavit, demonstrate that the BOC's relationship with the 272 Affiliate will be consistent with Section 272 requirements. The BOC has satisfied the FCC's test for Section 272 approval by providing sufficient evidence that it is prepared to conduct business subject to the rules of Section 272.

The BOC understands its obligations under Section 272. This affidavit has demonstrated that the BOC has established sufficient controls to comply with each specific requirement of Section 272 upon approval for the 272 Affiliate to offer originating interLATA services in South Dakota.

Being first duly sworn upon oath, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed on this 16 day of October, 2001.

Marie E. Schwartz

STATE OF NEBRASKA

COUNTY OF DOUGLAS

Subscribed and sworn to before me this 16 day of October, 2001.

Notary Public

GENERAL NOTARY-State of Nebraska
TERESA M. PEATROWSKY
My Comm. Exp. March 17, 2004

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271(C) OF THE TELECOMMUNICATIONS ACT OF 1996	)))))	DOCKET TC 01-

QWEST CORPORATION'S

EXHIBITS TO THE AFFIDAVIT

OF

MARIE E. SCHWARTZ

SECTION 272

OCTOBER 24, 2001

INDEX OF EXHIBITS

QUALIFICATIONS OF MARIE E. SCHWARTZ

Marie E. Schwartz is a director in FCC Regulatory Accounting at Qwest Corporation ("the BOC") and is responsible for ensuring Qwest Corporation's regulatory accounting compliance with Section 272 of the Telecommunications Act of 1996 ("the Act").

Ms. Schwartz holds a Bachelors Degree in Business Administration from the University of Nebraska at Omaha as well as a Certified Management Accountant certificate from the Institute of Management Accountants.

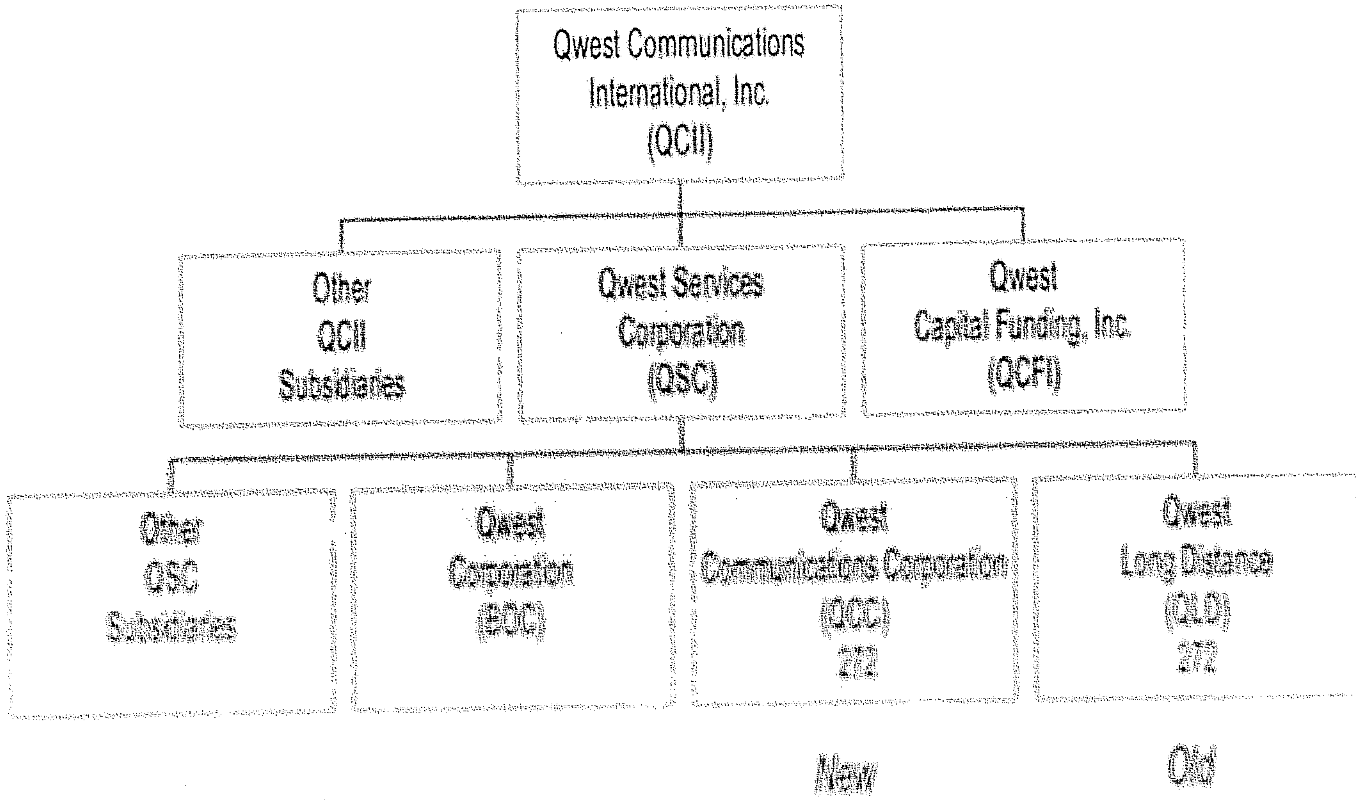
Ms. Schwartz has over 13 years experience in the telecommunications and high tech industries, concentrating in regulatory compliance, finance, and accounting. Ms. Schwartz began her career with U S WEST Communications, Inc., now Qwest Corporation, in 1989 in the Tax Department. In 1990, and began working in FCC Regulatory Accounting with responsibilities in Part 64 cost allocation and Part 32.27 affiliate transactions compliance for six years, and chaired an industry task group representing those areas. From 1996-1999, Ms. Schwartz gained further accounting and finance experience in the high tech industry in California. Ms. Schwartz resumed her career at U S WEST Communications, Inc., now Qwest Corporation, in 1999.

Ms. Schwartz has filed testimony on the subject of Section 272 in Arizona, Colorado, Idaho, Iowa, Montana, Nebraska, New Mexico, North Dakota, Oregon, Utah, Washington and Wyoming. She has participated in workshops in Arizona, Colorado, and Washington, as well as the multi-state workshops for Idaho, Iowa, Montana, New Mexico, North Dakota, Utah and Wyoming and in hearings in Nebraska.

QWEST CORPORATE STRUCTURE

Qwest Corporate Structure

ride the light
Qwest



CONFIDENTIAL/PROPRIETARY INFORMATION
CLASSIFICATION RATIONALE

Description/Title of Information: QWEST CORPORATION CHART OF ACCOUNTS

Confidential/Proprietary Designation Rationale:

This exhibit categorizes the Chart of Accounts for Qwest Corporation. The detailed subaccounts listed in this document contain confidential information about revenue streams and cost categories. Because this information would be valuable to Qwest Corporation's competitors, it is proprietary.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, [illegible]

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 1-3040

QWEST CORPORATION
(formerly known as U S WEST Communications, Inc.)

A COLORADO CORPORATION (State or other jurisdiction of incorporation or organization)	[illegible] (I.R.S. Employer Identification No.)

1801 CALIFORNIA STREET, DENVER, COLORADO [illegible]
TELEPHONE NUMBER (303) [illegible]

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
5.625% Notes Due 2008	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
NONE

THE REGISTRANT, A WHOLLY-OWNED SUBSIDIARY OF QWEST COMMUNICATIONS INTERNATIONAL INC., MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1) (a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION I(2).

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ***

*** Not applicable in that registrant is a wholly-owned subsidiary

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Qwest Corporation:

We have audited the accompanying consolidated balance sheets of Qwest Corporation (a Colorado corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Qwest Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations, changes in stockholder's equity and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Denver, Colorado,
January 24, 2001

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

FCC REPORT 43-03

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To U S WEST Communications, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the balance sheet of U S WEST Communications, Inc. (the "Company") at December 31, 1999, and the related statements of income, stockholder's equity and cash flows for the year then ended. We have also issued our report dated January 26, 2000, in which we expressed an unqualified opinion on those financial statements. We have also audited the accompanying Federal Communications Commission (the "FCC") Report 43-03, ARMIS Joint Cost Report (columns (b) through (j) on pages 1 through 18) of the Company for the year ended December 31, 1999.

As described in Note 1, this report was prepared pursuant to the Company's Cost Allocation Manual, the FCC's Joint Cost Orders issued in conjunction with FCC Docket No. 86-111 and the FCC's published rules and regulations thereto (including 47 CFR Sections 32.23, 32.37, 64.901 and 64.903) in force as of March 31, 2000. This report was prepared for the purpose of complying with those rules and regulations and is not intended to be a complete presentation of the Company's financial statements. The FCC Report 43-03, ARMIS Joint Cost Report is the responsibility of the Company's management. Our responsibility is to express an opinion on the FCC Report 43-03, ARMIS Joint Cost Report based on our audit.

We conducted our audit of the FCC Report 43-03, ARMIS Joint Cost Report in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the FCC Report 43-03, ARMIS Joint Cost Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the FCC Report 43-03, ARMIS Joint Cost Report referred to above presents fairly, in all material respects, the information of the Company required to be set forth therein for the year ended December 31, 1999, in accordance with the Company's Cost Allocation Manual, the FCC's Joint Cost Orders issued in conjunction with FCC Docket No. 86-111 and the FCC's published rules and regulations thereto (including 47 CFR Sections 32.23, 32.27, 64.901 and 64.903) in force as of March 31, 2000.

This report is intended for the information of the Company and the FCC which established the criteria against which the FCC Report 43-03, ARMIS Joint Cost Report was evaluated. Accordingly, this report should not be used for any other purpose.

Arthur Andersen LLP

Denver, Colorado,
March 31, 2000.

QWEST CORPORATION
OFFICERS

- James A. Smith – President
- Robert Tregemba – Senior Vice President – Network
- Mark Schumacher – Vice President & Controller
- Beth Halvorson – Vice President – Wholesale
- Mark Pitchford – Vice President – Retail Markets
- Kamelia Davidson – Assistant Secretary
- Jennifer Pettus – Assistant Secretary

DIRECTORS

- Augustine M. Cruciotti – Director
- James A. Smith – Director

MASTER SERVICES AGREEMENT

MASTER SERVICES AGREEMENT

BETWEEN

QWEST CORPORATION

AND

QWEST COMMUNICATIONS CORPORATION

TABLE OF CONTENTS

EXHIBIT

MASTER SERVICES AGREEMENT
QWEST CORPORATION
AND
QWEST COMMUNICATIONS CORPORATION

THIS AGREEMENT is made as of the first day of Jan 2001 by and between:

Qwest Corporation (hereinafter "Qwest Corp"), and

Qwest Communications Corporation (hereinafter "QCC")

The parties agree as follows:

ARTICLE 1
DESCRIPTION OF SERVICES

A. Qwest Corp agrees to provide services ("Services") to QCC as documented in a Work Order (incorporated herein as Exhibit A) and QCC agrees to pay for those services consistent with the Work Order.

B. The Work Order shall include at a minimum the following information:

- Description/Location of Services Requested
- Dates of Commencement and Completion of Services Requested
- Units and Price per Unit for Requested Services
- Costing Methodology
- Expected Frequency
- Special Equipment Required
- Numbers (range) and type of personnel [illegible]

[illegible] parties [illegible] with the Qwest Corporation [illegible] Services [illegible] include technical information [illegible] researched or developed products or Services.

ARTICLE 2
TERM

This Agreement shall become effective as of 1/1/01 and will remain in full force and effect until either party provides sixty (60) calendar days written notice of termination to the other party. If this Agreement is terminated prior to the completion of any Services, QCC shall pay for all charges billed and owing to Qwest Corp for Services performed up to and including the date of termination, provided Services performed are in accordance with the terms and conditions of this Agreement. Qwest Corp shall complete any such work in progress prior to the termination of this Agreement, and Qwest Corp shall perform such services in accordance with the terms and conditions of this Agreement.

January 18, 2001/dbd/MSA Master
Qwest Corporation/Qwest Communications Corporation
CDS-010117-0012/c
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ARTICLE 3
BILLING

A. Qwest Corp shall submit invoices to QCC for Services provided in accordance with the terms and conditions of this Agreement on a monthly basis unless otherwise specified in the Work Order. QCC shall notify Qwest Corp of the address to which invoices are to be sent.

B. Invoices shall include the following billing information as a minimum:

1. Invoice number
2. Payment due date
3. Date of Service
4. Description of charges
5. Applicable taxes
6. Total charge

ARTICLE 4
INDEPENDENT CONTRACTOR

Qwest Corp hereby declares and agrees that it is engaged in an independent business and will perform its obligations under this Agreement as an independent contractor and not as the agent or employee of QCC; that Qwest Corp does not have the authority to act for QCC or to bind QCC in any respect whatsoever, or to incur any debts or liabilities in the name of or on behalf of QCC; that any persons provided by Qwest Corp shall be solely the employees or agents of Qwest Corp under its sole and exclusive direction and control. Qwest Corp and its employees or agents are not entitled to QCC's unemployment insurance benefits as a result of performing under this Agreement. Qwest Corp shall be solely responsible for all matters relating to payment of its employees and agents, including compliance with worker's compensation, unemployment, disability insurance, social security withholding, and all other federal, state and local, rules and regulations. Qwest Corp shall indemnify and hold QCC harmless from any causes of action arising out of Qwest Corp's liability to its employees or agents.

ARTICLE 5
PROPRIETARY INFORMATION

Solely for the purposes of providing Services under this Agreement, each party grants to the other a nonexclusive, nontransferable license to use information provided by the other. Neither party shall publish, circulate, or otherwise distribute or disclose any such information that is marked proprietary or confidential to any third party other than its affiliates and its consultants who have executed a confidentiality agreement unless and until (1) the original disclosing party has consented to such disclosure and such third party executes a confidentiality agreement containing terms substantially similar to the ones contained in this Agreement, (2) such information has come into the public domain through no fault of QCC or Qwest Corp, (3) such information is otherwise in the possession of QCC or Qwest Corp free of any obligation of confidentiality, or (4) such party is required to do so by regulatory mandate.

Any third party information provided by QCC or Qwest Corp to the other party shall be deemed QCC or Qwest Corp information according to its source and shall be treated accordingly. If such information is subject to a separate agreement with a third party, the party receiving information agrees to hold and use the information in strict accordance with the separate agreement, provided it has knowledge of the separate agreement, unless otherwise instructed in writing by the party providing the information.

ARTICLE 6
INDEMNIFICATION

A. Qwest Corp shall indemnify and hold harmless QCC, its owners, parents, subsidiaries, affiliates, agents, directors and employees against all Liabilities to the extent they arise from or in connection with: (1) the fault or negligence of Qwest Corp, its officers, employees, agents, subcontractors and/or representatives; and/or (2) the furnishing, performance or use of any Services under this Agreement or any product liability claims relating to any Services; and/or (3) failure by Qwest Corp, its officers, employees, agents, subcontractors and/or representatives to comply with the Article entitled "Compliance with Laws," and/or (4) assertions under workers' compensation or similar employee benefit acts by Qwest Corp or its employees, agents, subcontractors, or subcontractors' employees or agents.

B. QCC shall indemnify and hold harmless Qwest Corp, its owners, parents, subsidiaries, affiliates, agents, directors and employees against all Liabilities to the extent they arise from or in connection with: (1) the fault or negligence of QCC its officers, employees, agents, subcontractors and/or representatives; and/or (2) the furnishing, performance or use of any Services under this Agreement or any product liability claims relating to any Services; and/or (3) failure by QCC, its officers, employees, agents, subcontractors and/or representatives to comply with the Article entitled "Compliance with Laws," and/or (4) assertions under workers' compensation or similar employee benefit acts by QCC or its employees, agents, subcontractors, or subcontractors' employees or agents.

ARTICLE 7
LIMITATION OF LIABILITY

Neither party is liable to the other for consequential, incidental, indirect, punitive or special damages, including commercial loss and loss profits, however caused and regardless of legal theory or foreseeability, directly or indirectly arising under this Agreement. Notwithstanding the foregoing, the parties are liable in accordance with the provisions of this Agreement and this limitation of liability shall not apply to the indemnification obligations under this Agreement.

ARTICLE 8
REGULATORY SUPPORT

This agreement shall comply with all state statutes and regulations, and Qwest Corp shall bear the financial risk if it does not. The parties agree that to the extent Qwest Corp is under the regulation of federal or state agencies, QCC will provide cooperation and support for Qwest Corp's response to regulatory inquiries or discovery requests concerning this Agreement or relationships derived from this Agreement.

ARTICLE 9
COMPLIANCE WITH LAWS

A. The parties shall obtain and maintain at its own expense all permits and licenses and pay all fees required by law with respect to any Services and/or performance of this Agreement. The parties shall, in connection with performance of and Services under this Agreement, comply with all applicable federal, state, and local laws, ordinances, rules, regulations, court orders, and governmental or regulatory agency orders ("Laws"), including, without limitation:

1. The Communications Act of 1934, as amended and all rules, regulations and orders issued in connection with that Act and this Agreement shall, to the greatest extent possible, be construed to be consistent with the same.

2. Laws relating to non-discrimination in employment, fair employment practices, equal employment opportunity, employment opportunities for veterans, non-segregated facilities, and/or employment of the disabled, except to the extent a party is exempt therefrom; and the Laws and contract clauses required by those Laws to be made a part of this Agreement are incorporated herein by this reference.

3. The Laws referred to in the Article entitled "Independent Contractor".

B. Qwest Corp acknowledges that Purchase(s) and/or Confidential Information ("Exports") may be subject to U.S. and applicable foreign export laws or regulations. Qwest Corp shall perform its obligations under this Agreement in a manner consistent with the requirements of all applicable U.S. and all applicable foreign laws and regulations, including the U.S. export laws and regulations, the Foreign Corrupt Practices Act, and anti-boycott laws, and U.S. export laws and regulations prohibiting the unauthorized export or re-export of certain items to residents of countries listed in U.S. Export Administration Regulations.

C. The requirements of this Article shall survive the expiration, termination or cancellation of this Agreement. All provisions of this Article shall also apply to all subcontractors, and similar terms shall be included in all Qwest Corp's contracts with subcontractors.

ARTICLE 10
NOTICES

Where written notices, demands, or other communications are required under this Agreement, they shall be deemed duly given when made in writing and delivered to the other party's address listed below. Addresses may be changed by written notice to the other party. Notices shall be delivered by hand, overnight courier service or certified mail, return receipt requested. Notification will be deemed to have taken place upon delivery, if delivery is by hand, overnight courier service or five (5) calendar days after posting if sent by certified mail.

Qwest Communications Corporation
Attention: Contract Manager
Contract Development & Services
7800 East Orchard Road, Suite 250
Englewood, CO 80111-2526

Qwest Corporation
Attention: Contract Specialist
Contract Development & Services
7800 East Orchard Road, Suite 250
Englewood, CO 80111-2526

ARTICLE 11
DISPUTE RESOLUTION

A. Any claim, controversy or dispute which arises between the parties, their agents, employees, officers, directors or affiliates ("Dispute") which the parties are unable to settle through consultation and negotiation may be mediated under the Commercial Mediation Rules of the American Arbitration Association ("AAA") by a mutually acceptable mediator. Any Dispute which cannot be resolved through negotiation or mediation shall be resolved by binding arbitration as provided in this Article. The arbitrability of claims shall be determined under the Federal Arbitration Act, 9 USC Secs. 1-16. Notwithstanding the foregoing, the parties may cancel or terminate this Agreement in accordance with its terms and conditions without being required to follow the procedures set forth in this Article.

B. A single arbitrator engaged in the practice of law, who is knowledgeable about the subject matter of this Agreement and the matter in Dispute, shall conduct the arbitration under the rules of the AAA then in effect, except as otherwise provided herein. The arbitrator shall be selected in accordance with AAA procedures from a list of qualified people maintained by the AAA. The arbitration shall be conducted in Denver, Colorado, and all expedited procedures prescribed by the AAA rules shall apply. The laws of Colorado shall govern the construction and interpretation of this Agreement. The arbitrator's decision and award shall be final, conclusive and binding, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

C. Either party may request from the arbitrator injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the Dispute is otherwise resolved. The arbitrator shall not have authority to award punitive damages. Each party shall bear its own costs and attorneys' fees, and the parties shall share equally the fees and expenses of the mediator and arbitrator.

D. If any party files a judicial or administrative action asserting claims subject to arbitration, as prescribed herein, and another party successfully stays such action and/or compels arbitration of said claims, the party filing said action shall pay the other party's costs and expenses incurred in seeking such stay and/or compelling arbitration, including reasonable attorneys' fees.

E. Qwest Corp agrees that in the event of any Dispute between the parties, it will continue to provide Services without interruption.

ARTICLE 12
SEVERABILITY

Any term or provision of this Agreement which is found to be invalid, void, unenforceable or illegal shall in no way affect, impair or invalidate the remaining terms or provisions, which will remain in full force and effect consistent with the original intent of the parties. However, if such provision is an essential element of this Agreement, the parties shall promptly attempt to negotiate a substitute provision.

Qwest Corporation	Qwest Communications Corporation
Signature	Signature
Name Printed or Typed	Name Printed or Typed
Title	Title
Date	Date

January 18, 2001/dbd/MSA Master
Qwest Corporation/Qwest Communications Corporation
CDS-010117-0012/c

SUMMARY OF AFFILIATE TRANSACTIONS

☐ Original Summary of Services ☐ Amendment (#) ☐ Terminated Services ☐ Asset Transfer

For services provided or assets transferred: from ___to___ Qwest Corporation to __from______, a Qwest affiliate.
Is the Qwest affiliate a Section 272 subsidiary: ___

Description of Services Provided or Assets Transferred:

Effective Date: Termination Date (if applicable):

Estimated Annual Revenues/Expenses to Qwest Corporation or Gross Book Value, listed by Primary USOA Account
Amount: Account:
$

Methodology of Assigning Qwest Revenues/Expenses to the States:
☐ Standard company prorates
☐ Other (Please explain below and specify the percentage assigned to each state.)

Assets transferred at higher__or lower ___of net book value or fair market value.
Net book value by state: $
Fair market value by state: $

Expected Pricing Methodology for Services:
___ Tariff
___ Rates in publicly filed agreements submitted to a state commission pursuant to Section 252(e)
___ Prevailing Company Price
___ Higher of Fully Distributed Cost or Fair Market Value
___ Lower of Fully Distributed Cost or Fair Market Value

For Transactions with Section 272 Subsidiaries, Please Provide the Following Information:

Special Equipment:
Number of Personnel Required:
Title(s) of Personnel and Level of Expertise:
Expected Frequency: Daily
Pricing: See addendum for the actual prices charged.
Approved By:

Qwest Corporation
Signed: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

Name of Qwest Affiliate:
Signed: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

Comments:

272 Compliance Oversight Team
Charter

Date Established:	October 1, 2000. Replaces 272 Working Team.
Date Amended:	October 9, 2001
Membership:	Betty Knapp – Director, FCC Regulatory Accounting Patricia Taylor – Director, State Regulatory Accounting Blair Rosenthal – Legal Counsel Marie Schwartz – Director, 272 Witness Joyce McDonald – 272 Support Team Lynn Ray - 272 Support Team Scott Hamilton – Affiliate Transaction Support Debi Adams – Compliance Manager, Policy and Law Gayle Williams – 272 Support Team Maggie Barrington - FCC Regulatory Accounting Renee Virlee - Wholesale QCC Contact Pamela McCoy - Wholesale QCC Contact Ronnie Cordova-Cloutier - Affiliate Transaction Support
Core Objectives:	1. Facilitate overall compliance integration of new 272 subsidiary 2. Review requests for BOC products, services, and information received from the 272 subsidiary for compliance with the: • Affiliate Transaction Rules • Nondiscrimination Safeguards 3. Review web posting processes for compliance with: • 10 day rule • Adequate disclosure • Accuracy 4. Review processes to insure separate officers, directors and employees. 5. Insure appropriate documentation is generated for all review activities.
Meeting Schedule:	Weekly, Thursday at 2:00 Mountain time or as needed.

Docket No. TC 01-
Qwest Corporation
Exhibits to the Affidavit of Marie E. Schwartz
Section 272
Exhibit MES-272-4
October 24, 2001

SAMPLE OF TRANSACTIONS DISCLOSED ON THE WEBSITE

About Qwest

Qwest Communications Corporation Section 272 Affiliate Transactions

Definitions

Qwest Corporation (QC) is a Bell Operating Company (BOC).

Qwest Communications Corporation (QCC) is a Section 272 affiliate.

Overview

Section 272 of the Telecommunications Act of 1996 requires that transactions between a Bell Operating Company (BOC) and its Section 272 affiliate must be "reduced to writing and available for public inspection".

Qwest Corporation, Inc. (formerly U S WEST Communications, Inc.) is a BOC as defined by Section 272. Qwest Communications Corporation is a Section 272 affiliate as of March 26, 2001. This web site includes the transactions between Qwest Corporation and Qwest Communications Corporation.

Qwest Corporation will comply with each of the requirements of Section 272, as well as all of the related regulations promulgated by the FCC. Accordingly, this site contains transactions between Qwest Corporation and Qwest Communications Corporation, including a section labeled "Tariff Rated Services" which describes services that Qwest Communications Corporation purchases out of Qwest Corporation's tariffs. This section also contains a hot link to the Qwest Internet site where the tariffs themselves can be found.

Documentation of new and ongoing activities is located in the section entitled "Current Transactions". The Master Services Agreement and related Work Orders document the rates, terms and conditions of services provided by QC to QCC. The Services Agreement and related Task Orders document the rates, terms and conditions of services provided by QCC to QC.

"Terminated Transactions" represent transactions that have expired or have been replaced.

Documentation of new transactions will be posted on the Internet within ten (10) days of being executed by both parties. In the event that an Agreement is executed before a rate or other specific term has been developed for the service, the posted Agreement will contain a notation that the rate or other specific term is "to be determined". Once new information is received, the Agreement will be updated and the new information will be posted within 10 days.

Qwest Corporation has another Section 272 affiliate, Qwest Long Distance. To view transactions between Qwest Corporation and Qwest Long Distance, please click here:

http://www.qwest.com/about/policy/docs/long_distance.html

About Qwest

Qwest Communications Corporation
Section 272 Affiliate Transactions

Posting Summary

▸ Return to Current Transactions

Agreement	Signed Date	End Date	Date Posted	Removal Date*	Days Sign-Post
Current Agreements					
Master Services Agreement	01/19/01	Indefinite	03/26/01	N/A	N/A (1)
(For services provided from QC to QCC)					
Amendment 1 to Master Services Agreement	07/19/01	Indefinite	07/23/01	N/A	4
Access to Mineral Lab Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Bill Printing & Processing Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Correspondence Center Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Discounts for Universal Services Administration Corporation Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Employee Discount Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Finance Services Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Human Resources Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Information Technologies Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Integrated Office Technologies Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Intermedia Communications Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Joint Marketing Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Photo Identification Work Order	09/25/01	Indefinite	10/01/01	N/A	6

Shared Space & Furniture Rental Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Small Business & Consumer Services Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Tariff Support Services Work Order	09/25/01	Indefinite	10/01/01	N/A	6
Services Agreement	01/19/01	Indefinite	03/26/01	N/A	N/A (1)
(For services provided from QCC to QC)					
Amendment 1 to Services Agreement	07/19/01	Indefinite	07/23/01	N/A	4
Lease of Fiber Optic Lines Task Order	09/25/01	Indefinite	10/01/01	N/A	6
Use of Test Equipment Task Order	09/25/01	Indefinite	10/01/01	N/A	6
Expired Agreements					
Work Order - Access to Mineral Lab	03/22/01	09/30/01	03/26/01	09/30/02	N/A (1)
Amendment 1 to Work Order - Access to Mineral Lab	05/03/01	09/30/01	05/09/01	09/30/02	6
Amendment 2 to Work Order - Access to Mineral Lab	05/16/01	09/30/01	05/22/01	09/30/02	6
Work Order - Bill Printing & Processing	05/01/01	09/30/01	05/03/01	09/30/02	2
Work Order - Correspondence Work	03/08/01	09/30/01	03/26/01	09/30/02	N/A (1)
Amendment 1 to Work Order - Correspondence Work	04/30/01	09/30/01	05/03/01	09/30/02	3
Work Order - Discounts for USAC	03/19/01	09/30/01	03/26/01	09/30/02	N/A (1)
Work Order - Employee Discount	03/12/01	09/30/01	03/26/01	09/30/02	N/A (1)
Work Order - Finance Services	03/22/01	09/30/01	03/26/01	09/30/02	N/A (1)
Amendment 1 to Work Order - Finance Services	05/11/01	09/30/01	05/18/01	09/30/02	7
Amendment 2 to Work Order - Finance Services	05/31/01	09/30/01	06/06/01	09/30/02	6
Amendment 3 to Work Order - Finance Services	07/31/01	09/30/01	08/01/01	09/30/02	1
Work Order - Global Business Channel Planning	03/22/01	05/11/01	03/27/01	05/11/02	5
Work Order - Human Resources Services	03/22/01	09/30/01	03/26/01	09/30/02	N/A (1)
Work Order - Information Technoligies	03/22/01	09/30/01	03/26/01	09/30/02	N/A (1)
Work Order - Integrated Office Solutions	03/19/01	09/30/01	03/26/01	09/30/02	N/A (1)

Work Order - Interim Common Supervision	03/27/01	03/02/01	03/28/01	03/02/02	1
Work Order - Interim Engineering Support	03/22/01	03/01/01	03/26/01	03/01/02	N/A (1)
Work Order - Interim Finance Services	03/22/01	03/02/01	03/26/01	03/02/02	N/A (1)
Amendment 1 to Work Order - Interim Finance Servcies	05/11/01	03/02/01	05/18/01	03/02/02	7
Amendment 2 to Work Order - Interim Finance Servcies	05/16/01	03/02/01	05/22/01	03/02/02	6
Amendment 3 to Work Order - Interim Finance Servcies	05/31/01	03/02/01	06/06/01	03/02/02	6
Work Order - Interim Financial Management	03/22/01	03/03/01	03/26/01	03/03/02	N/A (1)
Work Order - Interim Human Resources Services	03/22/01	03/02/01	03/26/01	03/02/02	N/A (1)
Amendment 1 to Work Order - Interim Human Resources Services	05/11/01	03/02/01	05/18/01	03/02/02	7
Work Order - Interim Network Support	03/19/01	03/01/01	03/26/01	03/01/02	N/A (1)
Amendment 1 to Work Order - Interim Network Support	05/02/01	06/01/01	05/09/01	06/01/02	7
Work Order - Interim Planning & Marketing Services	03/22/01	03/03/01	03/26/01	03/03/02	N/A (1)
Work Order - Interim Policy & Law Support Services	03/22/01	03/03/01	03/26/01	03/03/02	N/A (1)
Work Order - Interim Product Development	03/27/01	03/02/01	03/28/01	03/02/02	1
Work Order - Interim Security Services	03/22/01	03/02/01	03/26/01	03/02/02	N/A (1)
Work Order - Interim Shared Space & Furniture Rental	05/01/01	12/31/00	05/03/01	12/31/01	2
Amendment 1 to Work Order - Interim Shared Space & Furniture Rental	05/11/01	12/31/00	05/18/01	12/31/01	7
Work Order - Intermedia Communications	03/14/01	09/30/01	03/26/01	09/30/02	N/A (1)
Amendment 1 to Work Order - Intermedia Communications	05/03/01	09/30/01	05/09/01	09/30/02	6
Work Order - Official Communications Services	03/19/01	03/01/01	03/26/01	03/01/02	N/A (1)
Work Order - Sale of QCC Products & Services	03/22/01	09/30/01	03/26/01	09/30/02	N/A (1)
Amendment 1 to Work Order - Sale of QCC Products & Services	06/18/01	09/30/01	06/25/01	09/30/02	7
Amendment 2 to Work Order - Sale	07/12/01	09/30/01	07/18/01	09/30/02	6

of QCC Products & Services					
Amendment 3 to Work Order - Sale of QCC Products & Services	08/14/01	09/30/01	08/16/01	09/30/02	2
Work Order - Secure ID	03/22/01	01/01/01	03/26/01	01/01/02	N/A (1)
Work Order - Shared Space & Furniture Rental	03/19/01	09/30/01	03/26/01	09/30/02	N/A (1)
Amendment 1 to Work Order - Shared Space & Furniture Rental	05/11/01	09/30/01	05/18/01	09/30/02	7
Amendment 2 to Work Order - Shared Space & Furniture Rental	06/14/01	09/30/01	06/20/01	09/30/02	6
Amendment 3 to Work Order - Shared Space & Furniture Rental	08/21/01	09/30/01	08/24/01	09/30/02	3
Work Order - Small Business & Consumer Channel Planning	02/09/01	09/30/01	03/26/01	09/30/02	N/A (1)
Amendment 1 to Work Order - Small Business & Consumer Services	05/01/01	09/30/01	05/03/01	09/30/02	2
Amendment 2 to Work Order - Small Business & Consumer Services	05/03/01	09/30/01	05/09/01	09/30/02	6
Amendment 3 to Work Order - Small Business & Consumer Services	08/22/01	09/30/01	08/28/01	09/30/02	6
Work Order - Tariff Support Services	03/22/01	09/30/01	03/26/01	09/30/02	N/A (1)
Work Order - Voice Over IP	03/19/01	09/30/01	03/26/01	09/30/02	N/A (1)
Asset Transfer - Transfer of Desktop Computer Equipment	04/24/01	09/30/01	04/25/01	09/30/02	1
Task Order - Financial Services	04/10/01	06/01/01	04/16/01	06/01/02	6
Task Order - Interim Administrative Services	03/27/01	03/03/01	03/28/01	03/03/02	1
Task Order - Interim Common Supervision	03/27/01	03/02/01	03/28/01	03/02/02	1
Amendment 1 to Task Order - Interim Common Supervision	04/10/01	03/02/01	04/16/01	03/02/02	6
Task Order - Interim Executive Management	04/10/01	03/02/01	04/16/01	03/02/02	6
Task Order - Interim Human Resources Services	03/27/01	03/02/01	03/28/01	03/02/02	1
Amendment 1 to Task Order - Interim Human Resources Services	04/10/01	03/02/01	04/16/01	03/02/02	6
Task Order - Interim Product Development/Management Services	04/10/01	03/02/01	04/16/01	03/02/02	6
Task Order - Lease of Fiber Optic Lines	02/26/01	09/30/01	03/26/01	09/30/02	N/A (1)
Task Order - Use of Test Equipment	03/27/01	09/30/01	03/28/01	09/30/02	1
Asset Transfer - Transfer of Desktop Computer Equipment	04/24/01	09/30/01	04/25/01	09/30/02	1

* Internet postings will be maintained during the term of the contract and for a period of one year thereafter, unless the contract is superseded or replaced. In such cases the contract will be removed once the superceding or replacement contract has is superseded or replaced. In such cases the contract will be removed once the superceding or replacement contract has been posted. Removal dates are subject to change if contracts are renewed or extended through amendments.
Note: Work Orders are prepared when products, information, or services are provided from Qwest Corporation (Regulated) to Qwest Communications Corporation, the Section 272 organization (Unregulated). Task Orders are prepared when Qwest Communications Corporation provides products, information, or services to Qwest Corporation.

(1) QCC web site not activated until 03/26/01.

SEARCH GO ABOUT QWEST | CAREERS AT QWEST

Qwest cannot provide interLATA long distance service originating, interLATA 8XX service terminating; or interLATA private line or data circuits with either end in the states of AZ, CO, ID, IA, MN, MT, NE, NM, ND, OR, SD, UT, WA, and WY. Qwest provides Internet services in these states in conjunction with a separately billed, required Global Service Provider (GSP)

SEARCH

SMALL BUSINESS | LARGE BUSINESS | PARTNERS | WHOLESALE | HOME

ride the light

Qwest.

About Qwest

MEDIA INFORMATION | INVESTOR INFORMATION | THIS IS QWEST | PUBLIC POLICY

Affiliate Transactions

* Overview
* Posting Procedures
* Current Transactions
* Posting Summary
* Tariff Rated Services
* Terminated Transactions
* Certification Statement
* Written Copies

Qwest Communications Corporation Section 272 Affiliate Transactions

Current Transactions

to Qwest Communications Corporation, the Section 272 affiliate:

Master Services Agreement

Amendment 1 to Master Services Agreement

Access to Mineral Lab Facility Work Order

Bill Printing & Processing Work Order

Correspondence Center Work Order

Discounts for Universal Service Administration Corporation Work Order

Employee Discount for Telecommunications Services Work Order

Finance Services Work Order

Human Resources Services Work Order

Information Technologies Services Work Order

Integrated Office Solutions Work Order

Intermedia Communications Work Order

Joint Marketing Work Order

Photo Identification Services Work Order

Shared Space & Furniture Rental Work Order

Small Business & Consumer Services Work Order

Tariff Support Services Work Order

Services provided from Qwest Communications Corporation, the Section 272 affiliate to Qwest Corporation (the Bell Operating Company)

Services Agreement

Amendment 1 to Services Agreement

Lease of Fiber Optic Lines Task Order

Use of Test Equipment Task Order

Affiliate Transactions

Qwest Communications Corporation
Section 272 Affiliate Transactions

Back to Current Transactions

SUMMARY OF AFFILIATE TRANSACTIONS

WORK ORDER

Finance Services

[ ] Original Summary of Services [X] Amendment (# 4)

For services provided from Qwest Corporation to Qwest Communications Corporation, a Section 272 affiliate.

Description of Services Provided:

General Finance Services *- providing general accounting and business advice for Qwest Communications Corporation (QCC) business transactions.*

Tax Accounting *- providing tax support for income tax accounting calculations, compilations and tax issues.*

Payroll Services *- providing payroll support to QCC in processing payroll, maintaining the payroll system, including input, check processing, record maintenance, payroll tax filings, employee benefit contributions and payroll related account reconciliation.*

Accounts Payable *- providing the processing of employee and vendor invoices and payments and accounts payable reconciliation.*

General Ledger Processing *- providing the processing of the general ledger system.*

Fixed Asset Accounting *- providing the recording of capital assets, providing the physical inventory, calculating depreciation and meeting all fixed asset tax requirements.*

Bankruptcy Work *- providing bankruptcy work to QCC for regional toll accounts. Work includes searching for accounts, determining post-petition charges, moving accounts to bankruptcy collection database, preparing spreadsheets for adjustments, mailing deposit letters to customers, populating tracker database and filing proof of claims.*

Effective Date: 10/01/01

Termination Date:

[ ] Specific termination date:

[X] Ongoing transactions until cancelled in accordance with Master Services Agreement provisions

Special Equipment Used in Providing Service: None

Number of Personnel Used to Provide Each Service: See Pricing Addendum

Type/Title of Personnel Providing Each Service: See Pricing Addendum for Titles of Personnel

Estimated Length of Time to Complete Transaction (for specific projects only):

Expected Frequency of Services Provided: See Pricing Addendum

Pricing: See Pricing Addendum for the actual prices charged.

Approved By:

Qwest Corporation
Signed: Mark W. Oldaker
Printed Name: Mark W. Oldaker
Title: Business Unit Affiliate Manager
Date: 09/10/01

Qwest Communications Corporation
Signed: Judith L. [illegible]
Printed Name: Judith L. [illegible]
Title: Executive Director
Date: [illegible]

Comments: *Amendment Four to the Finance Services Work Order replaces the original Finance Services Work Order and all previous amendments including the related Pricing Addenda in their entirety.*

Qwest

About Qwest

Affiliate Transactions

Qwest Communications Corporation
Section 272 Affiliate Transactions

Finance Services
Addendum A - Pricing
Effective: October 1, 2001

A. General Finance Services

Service	*Employee Title & Salary Level/ Wage Scale*	*Number of Qwest Corporation Employees*	*Rate/ Unit*	*Pricing Methodology* [illegible]	*Frequency of Service* [illegible]
General Finance Services Per Hourly Rates	Senior Director/ Salary Level 8	1- 5	$159.63 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Director/ Salary Level 7	1- 5	$113.20 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Sr. Manager/ Salary Level 5	1- 10	$67.75 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Business Analyst/ Salary Level 4	1- 10	$57.45 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	General Accountant/ Salary Level 3	1- 5	$45.81 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	General Accountant/ Salary Level 2	1- 5	$38.58 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Office Clerical Assistant/ Wage Scale 11	1- 5	$23.42 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Data Administrator/ Wage Scale 9	1- 5	$32.90 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Data Specialist/ Wage Scale 8	1- 5	$33.56 Per Hour	FDC	Daily
General Finance	Information				

Services Per Hourly Rates	Specialist/ Wage Scale 7	1- 5	$33.65 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Technical Clerk/ Wage Scale 6	1- 5	$37.18 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Analytical Assistant/ Wage Scale 4	1- 5	$40.46 Per Hour	FDC	Daily
General Finance Services Per Hourly Rates	Analysis Clerk – Specialist/ Wage Scale 3	1- 5	$46.76 Per Hour	FDC	Daily

B. Payroll Services

Service	***Employee Title & Salary Level/ Wage Scale***	***Number of Qwest Corporation Employees***	***Rate/ Unit***	***Pricing Methodology*** [illegible]	***Frequency of Service*** [illegible]
Payroll Processing			$2.69 Per Employee Per Month	FDC	Daily
Payroll Processing	Director General Accounting/ Salary Level 8, Sr. Manager Payroll/ Salary Level 5, Sr. Manager Customer Service/ Salary Level 5, Supervisor Customer Service/ Salary Level 4, Senior Process Analyst/ Salary Level 4, Supervisor Payroll/ Salary Level 4, Financial Business Analyst/ Salary Level 4, Analytical Assistant/ Wage Scale 4, Technical Clerk/ Wage Scale 6	1- 87	$39.03 Per Manual Check	FDC	Daily

C. Accounts Payable Service

Service	***Employee Title & Salary Level/ Wage Scale***	***Number of Qwest Corporation Employees***	***Rate/ Unit***	***Pricing Methodology*** [illegible]	***Frequency of Service*** [illegible]
Accounts Payable Processing	Director/ Salary Level 7, Senior Manager/ Salary Level 5, Business Analyst/ Salary Level 4, Schedule Clerk/ Wage Scale 4,	1-53	$1.26 Per Invoice	FDC	Daily

	Technical Clerk/ Wage Scale 6				

D. General Ledger Processing

Service	*Employee Title & Salary Level/ Wage Scale*	*Number of Qwest Corporation Employees*	*Rate/ Unit*	*Pricing Methodology (Tariff, PFR, FCR, FDC/FMV)*	*Frequency of Service (Daily, Monthly, Occasionally)*
General Ledger Processing	Professional Management/ Salary Level 5, Senior Project Professional/ Salary Level 4	1-4	$0.0062 Per Transaction	FDC	Daily

E. Bankruptcy Work

Service	*Employee Title & Salary Level/ Wage Scale*	*Number of Qwest Corporation Employees*	*Rate/ Unit*	*Pricing Methodology (Tariff, PFR, FCR, FDC/FMV)*	*Frequency of Service (Daily, Monthly, Occasionally)*
Bankruptcy Work Per Hourly Rates	Senior Manager/ Salary Level 5, Supervisor Support/ Salary Level 4, Analytical Assistant/ Wage Scale 4	1- 21	$76.50 Per Hour	FMV	Daily

F. Fixed Asset Accounting

Service	*Employee Title & Salary Level/ Wage Scale*	*Number of Qwest Corporation Employees*	*Rate/ Unit*	*Pricing Methodology (Tariff, PFR, FCR, FDC/FMV)*	*Frequency of Service (Daily, Monthly, Occasionally)*
Fixed Asset Accounting Services Per Hourly Rates	Director General Accountant/ Salary Level 7	1	$113.20 Per Hour	FDC	Daily
Fixed Asset Accounting Services Per Hourly Rates	Senior Manager/ Salary Level 5	1- 10	$67.75 Per Hour	FDC	Daily
Fixed Asset Accounting Services Per Hourly Rates	Staff Fixed Asset Accountant/ Salary Level 5	1- 10	$67.75 Per Hour	FDC	Daily
Fixed Asset Accounting Services Per Hourly Rates	General Accountant/ Salary Level 4	1- 20	$57.45 Per Hour	FDC	Daily
Fixed Asset Accounting Services Per Hourly Rates	Fixed Asset Accountant/ Salary Level 4	1- 20	$57.45 Per Hour	FDC	Daily
Fixed Asset Accounting Services Per	Senior Fixed Asset Accountant/ Salary Level 4	1- 20	$57.45 Per Hour	FDC	Daily

Hourly Rates					
Fixed Asset Accounting Services Per Hourly Rates	Senior General Accountant/ Salary Level 4	1- 20	$57.45 Per Hour	FDC	Daily
Fixed Asset Accounting Services Per Hourly Rates	Information Specialist/ Wage Scale 7	1- 5	$33.65 Per Hour	FDC	Daily
Fixed Asset Accounting Services Per Hourly Rates	Data Specialist/ Wage Scale 8	1- 5	$33.56 Per Hour	FDC	Daily

G. Tax Accounting

Service	***Employee Title & Salary Level/ Wage Scale***	***Number of Qwest Corporation Employees***	***Rate/ Unit***	***Pricing Methodology*** [illegible]	***Frequency of Service*** [illegible]
Tax Accounting Hourly Rate	Professional Senior Management/ Salary Level 5	1	$67.75 Per Hour	FDC	Daily
Tax Accounting Hourly Rate	Senior General Accountant/ Salary Level 4	1-5	$57.45 Per Hour	FDC	Daily
Tax Accounting Hourly Rate	Information Specialist/ Wage Scale 7	1-5	$33.65 Per Hour	FDC	Daily
Tax Accounting Hourly Rate	Data Specialist/ Wage Scale 8	1-5	$33.56 Per Hour	FDC	Daily

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[1] Pricing methodologies include Tariff or Publicly Filed Rate (PFR); Prevailing Company Price (PCP); and higher/lower of Fully Distributed Cost (FDC) or Fair Market Value (FMV).

[2] As indicated in the Cost Allocation Manual

About Qwest

Affiliate Transactions

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SUMMARY OF AFFILIATE TRANSACTIONS

WORK ORDER

Shared Space & Furniture Rental

[ ] Original Summary of Services [X] Amendment (# 4)

For services provided from Qwest Corporation to Qwest Communications Corporation, a Section 272 affiliate.

Description of Services Provided: *Qwest Corporation (QC) will arrange for rental of office space and rental of office furniture for Qwest Communications Corporation (QCC). Rental will be priced at the higher of Fully Distributed Cost or Fair Market Value.*

QC will also provide project management services as requested by QCC. Services may be for personnel moves, workstation arrangement, or building remodel and addition. Labor is priced at Fully Distributed Cost and procured goods and services are priced at actual cost.

Effective Date: 10/01/01

Termination Date:

[ ] Specific termination date:

[X] Ongoing transactions until cancelled in accordance with Master Services Agreement provision

Special Equipment Used in Providing Service: None

Number of Personnel Used to Provide Each Service: See Pricing Addendum

Type/Title of Personnel Providing Each Service: See Pricing Addendum for Titles of Personnel

Estimated Length of Time to Complete Transaction (for specific projects only):

Expected Frequency of Services Provided: See Pricing Addendum

Pricing: See Pricing Addendum for the actual prices charged.

Approved By:

Qwest Corporation
Signed: Thomas M. Martinez
Printed Name: Thomas M. Martinez
Title: Business Unit Affiliate Manager
Date: 09/05/01

Qwest Communications Corporation
Signed: Judith L. Brunsting
Printed Name: Judith L. Brunsting
Title: Executive Director
Date: 09/25/01

Comments: *Amendment Four to the Shared Space & Furniture Rental Work Order replaces the Shared Space & Furniture Rental Work Order and all previous amendments and the related Pricing Addenda in their entirety.*

About Qwest

Affiliate Transactions

Qwest Communications Corporation
Section 272 Affiliate Transactions

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Shared Space & Furniture Rental
Addendum A - Pricing
Effective: October 1, 2001

Service	*Employee Title & Salary Level/ Wage Scale*	*Number of QC Employees*	*Rate/ Unit*	*Pricing Methodology* (Tariff, PFR, PCP, FDC/FMV)[1]	*Frequency of Service* (Daily, Monthly, Occasionally)[2]
Shared Space 1020 Babcock Road, Colorado Springs, CO			$12.86 Per sq ft/year	FDC	Daily
Shared Space 1101 West Mineral, Littleton, CO			$30.58 Per sq ft/year	FDC	Daily
Shared Space 1201 Farnham St, Omaha, NE			$45.62 Per sq ft/year	FDC	Daily
Shared Space 1600 7th Avenue, Seattle, WA			$28.00 Per sq ft/year	FMV	Daily
Shared Space 1801 California St, Denver, CO			$37.63 Per sq ft/year	FDC	Daily
Shared Space 250 East 200 S, Salt Lake City, UT			$19.00 Per sq ft/year	FMV	Daily
Shared Space 2001 6th Avenue Seattle, WA			$40.26 Per sq ft/year	FDC	Daily
Shared Space 2800 N Central			$43.75 Per sq ft/year	FDC	Daily

Ave, Phoenix, AZ					
Shared Space 310 SW Park, Portland, OR			$15.00 Per sq ft/year	FMV	Daily
Shared Space 323 Stinson Boulevard, Minneapolis, MN			$34.96 Per sq ft/year	FDC	Daily
Shared Space 3033 North 3rd St, Phoenix, AZ			$20.79 Per sq ft/year	FDC	Daily
Shared Space 3245 146th Pl SE, Bellevue, WA			$34.29 Per sq ft/year	FDC	Daily
Shared Space 421 SW Oak St, Portland, OR			$18.00 Per sq ft/year	FMV	Daily
Shared Space 5090 North 40th St, Phoenix, AZ			$39.87 Per sq ft/year	FDC	Daily
Shared Space 600 Stinson Boulevard, Minneapolis, MN			$33.57 Per sq ft/year	FDC	Daily
Shared Space 6300 Shingle Creek Brooklyn Center, MN			$11.01 Per sq ft/year	FDC	Daily
Shared Space 6912 South Quintin St, Englewood, CO			$16.50 Per sq ft/year	FMV	Daily
Shared Space 800 Main St, Grand Junction, CO			$9.62 Per sq ft/year	FDC	Daily
Shared Space 8021 SW Capitol Hill, Portland, OR			$5.33 Per sq ft/year	FDC	Daily
Shared Space 931 14th St, Denver, CO			$28.00 Per sq ft/year	FMV	Daily
Furniture Rental (All Locations)			$0.72 Per sq ft/year	FDC	Daily
Project Management	Project Manager Salary Level 4	41-52	$71.37 Per hour	FDC	Daily

1 Pricing methodologies include Tariff or Publicly Filed Rate (PFR); Prevailing Company Price (PCP); and higher/lower of Fully Distributed Cost (FDC) or Fair Market Value (FMV).

[2] As indicated in the Cost Allocation Manual

SEARCH GO ABOUT QWEST | CAREERS AT QWEST

OFFICER CERTIFICATION

CERTIFICATION

I certify that I am an officer of Qwest Corporation, that I have examined the Qwest Communications Corporation Section 272 Affiliate Transactions and that to the best of my knowledge, information, and belief, all statements of fact posted at that website are true and that said postings accurately reflect the transactions that have occurred between QC and QCC for the period July 1, 2000 through December 31, 2000.

PRINTED NAME **Mark A. Schumacher**

POSITION **Controller**

SIGNATURE [signature]

DATE 5/11/01

(Persons making willful false statements in this report form can be punished by fine or imprisonment under the Communications act, 47 U.S.C. 220 (e).)

CONTINUATION

[5]

Scan ~ ~ # Pages [ ]

PERFORMANCE ON SECTION 272(b)(5)

TRANSACTIONS FOR QCC

2001

	272 Transition			Compliance Ready			
	JAN	FEB	MAR	APR	MAY	JUN	JUL
Differences between web & price billed			12%	0%	0%	0%	0%

All Transactions - billing and accruals - are reconciled monthly

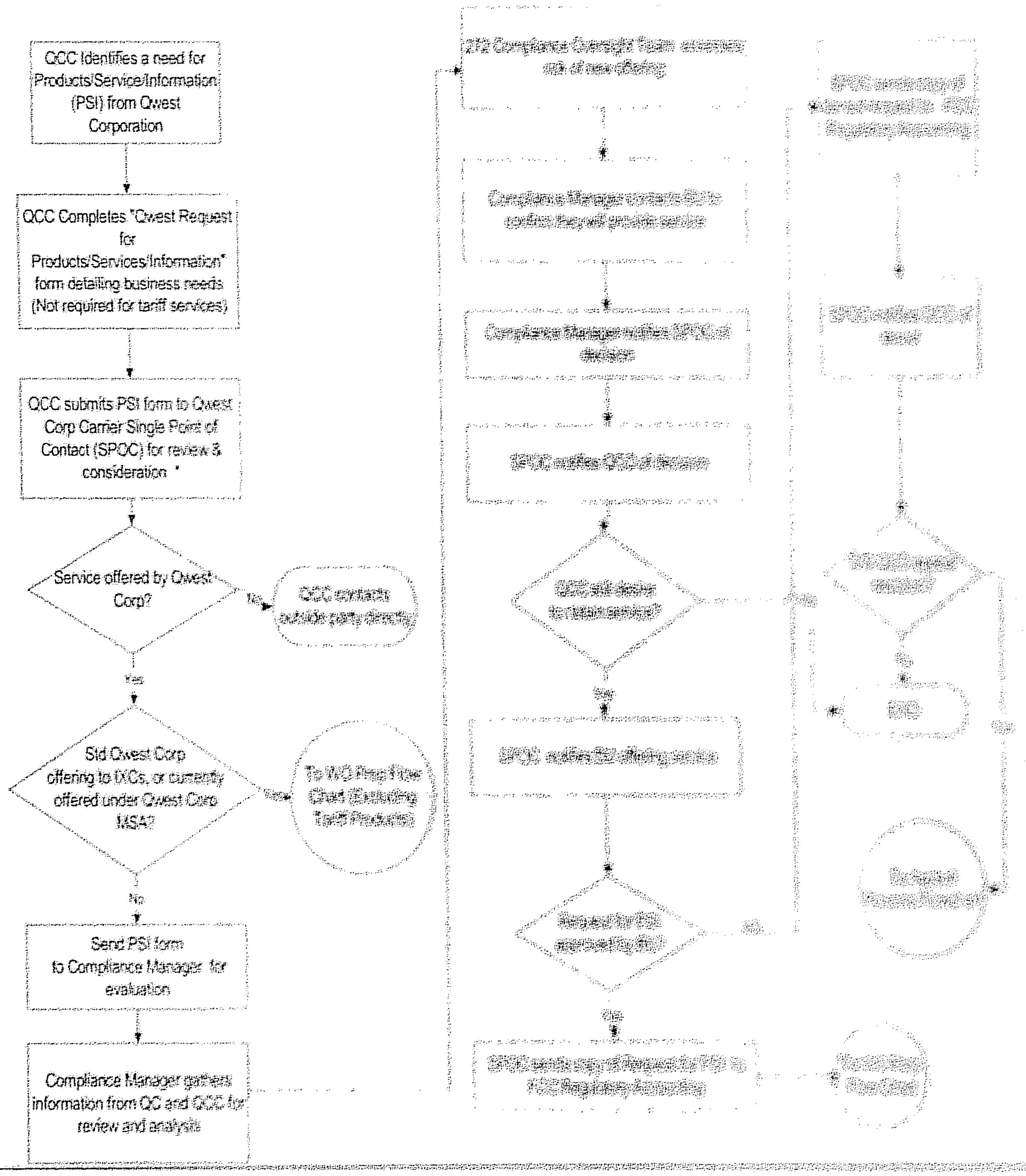
CONTINUATION

[6]

Scan # Pgs [ ]

PROCESS FLOWCHART FOR THE 272 AFFILIATE SERVICE REQUESTS

QWEST CORPORATION/ QWEST COMMUNICATIONS CORPORATION (QCC)
PROCESS FLOW FOR PRODUCTS/SERVICE/INFORMATION REQUESTS



* Same process used by 3rd party

Note: This process does not apply to

The BOC Services Purchased from Qwest Services Corporation

Executive Management
Corporate Finance and Accounting
Marketing, Sales & Service
Human Resources
Legal Services
Network Planning
Marketing Intelligence
Product Planning
Public Policy
Public Relations
Treasury Services
Trust Management
Risk Management
Corporate Environmental Health & Safety
Corporate Library
Records Management
Lease Management
Insurance Staff
Compliance

BIENNIAL AUDIT PROCEDURES

JOINT FEDERAL/STATE OVERSIGHT GROUP

GENERAL STANDARD PROCEDURES FOR BIENNIAL AUDITS REQUIRED UNDER SECTION 272 OF THE COMMUNICATIONS ACT OF 1934, AS AMENDED

As of December 16, 1998

JOINT FEDERAL/STATE OVERSIGHT GROUP

GENERAL STANDARD PROCEDURES
FOR
BIENNIAL AUDITS
REQUIRED UNDER SECTION 272
OF THE
COMMUNICATIONS ACT OF 1934, AS AMENDED

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BIENNIAL ENGAGEMENT PROCEDURES

INTRODUCTION

Background

1. Section 272(a) of the Communications Act of 1934, as amended, requires that a Bell Operating Company (BOC) set up one or more separate affiliates before engaging in manufacturing activities, in-region interLATA services, and interLATA information services. Also, before engaging in the provision of in-region interLATA services, a BOC or an affiliate of the BOC must meet the requirements of Section 271 of the Communications Act of 1934 and must receive approval by the Federal Communications Commission (FCC). A BOC required to operate a separate affiliate under Section 272 must obtain and pay for a joint Federal/State audit every two years.[1]

2. After having considered all types of audits and engagements performed by certified public accountants (CPAs) and the FCC staff's past experience in the Cost Allocation Manual (CAM) audits, we believe that it would be in the best interest of all the parties concerned that this audit be an Agreed-Upon Procedures (AUP) Engagement. The American Institute of Certified Public Accountants (AICPA) defines an AUP engagement as, "one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on the subject matter of an assertion."[2] The objective of an AUP engagement is to present specific findings to assist users in evaluating an entity's compliance with specified requirements. The users include the federal and state regulators as well as the companies responsible for obtaining and paying for the biennial audits.

3. As the primary users of the joint Federal/State biennial audit, the Federal/State Biennial Oversight Group (Oversight Group), which is comprised of staff members from state regulatory agencies and the FCC, is responsible for the nature, timing and extent of the AUP. The Oversight Group will be subdivided into Regional Oversight Teams (Oversight Teams), one for each Regional Bell Operating Company (RBOC). Each team will be comprised of two members from the FCC and members of the State

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[1] 47 U.S.C. § 272(d)

[2] AT § 600.03 Codification of Statements on Standards for Attestation Engagements, published by the American Institute of Certified Public Accountants.

Commissions who have chosen to participate in this project and who have jurisdiction over that RBOC. Each team is responsible for reviewing the conduct of the engagement and, after discussion with the BOC and its Section 272 affiliate, for directing the practitioner to take such action as the team finds necessary to achieve each objective. The text below provides the requirements for the engagement as listed in Section 53.209(b) of the FCC Rules and indicates the nature, timing and extent of the AUP for each requirement. It should be noted that AUP engagements are not based on the concept of materiality; therefore, the practitioner must report all errors or discrepancies discovered while performing the AUP engagement.

COMPLIANCE REQUIREMENTS

4. The requirements for the biennial audits are contained in 47 U.S.C. Section 272(b), (c), and (e) of the Communications Act of 1934, as amended, and in 47 C.F.R. Section 53.209(b) of the FCC Rules and Regulations. Below is a listing of those requirements:

Structural Requirements

The separate affiliate required under Section 272 of the Act:

I. Shall operate independently from the Bell operating company;

II. Shall maintain books, records, and accounts in the manner prescribed by the Commission that are separate from the books, records, and accounts maintained by the Bell operating company;

III. Shall have officers, directors, and employees that are separate from those of the Bell operating company;

IV. May not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Bell operating company;

Accounting Requirements

The separate affiliate required under Section 272 of the Act:

V. Shall conduct all transactions with the Bell operating company on an arm's length basis with the transactions reduced to writing and available for public inspection.

The Bell operating company:

VI. Shall account for all transactions with the separate affiliate in accordance with the accounting principles and rules approved by the Commission.

Nondiscriminatory Requirements

The Bell operating company:

VII. May not discriminate between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards;

VIII. Shall fulfill any requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates;

IX. Shall not provide any facilities, services, or information concerning its provision of exchange access to the Section 272 affiliate unless such facilities, services, or information are made available to other providers of interLATA services in that market on the same terms and conditions;

X. Shall charge its separate affiliate under Section 272, or impute to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service;

XI. May provide any interLATA or intraLATA facilities or services to its interLATA affiliate if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions, and so long as the costs are appropriately allocated.

Related FCC Dockets

5. These requirements have been clarified and expanded upon in several FCC proceedings. These proceedings are subject to further modification in subsequent FCC orders, or in orders on

reconsideration. Below is a list of orders related to the above requirements issued by the FCC:

CC Docket No. 96-149, In the Matter of Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended; *First Report and Order and Further Notice of Proposed Rulemaking*; Released December 24, 1996

CC Docket No. 96-150, In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996; *Report and Order*; Released December 24, 1996

CC Docket No. 96-98, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; *First Report and Order*; Released August 8, 1996 (First Interconnection Order); *Second Report and Order and Memorandum Opinion and Order*; Released August 8, 1996 (Second Interconnection Order)

CC Docket No. 96-115, In the Matter of Implementation of the Telecommunications Act of 1996: Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information; *Second Report and Order and Further Notice of Proposed Rulemaking*; Released February 26, 1998

6. In addition, the FCC has opened the following pending dockets which may, if applicable to the activities of the BSC, result in additional regulations surrounding the Nondiscriminatory Requirements:

CC Docket No. 96-254, In the Matter of Implementation of Section 273 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996; *Notice of Proposed Rulemaking*; Released December 11, 1996 (to examine manufacturing by BOCs - "Manufacturing NPRM")

CC Docket No. 98-56, RM-9101, In the Matter of Performance Measurements and Reporting Requirements for Operations Support Systems, Interconnection, and Operator Services and Directory Assistance; *Notice of Proposed Rulemaking*; Released April 17, 1998 (to examine a proposed methodology by which access to incumbent LEC operations support systems is measured and reported to ensure nondiscriminatory, just, and reasonable treatment of new local telephone service providers - "OSS NPRM")

ENGAGEMENT PLAN

Engagement Period

7. In order to facilitate meaningful data collection, the AUP engagement shall cover the first 12 months of operations commencing on the date the first Section 271 approval is obtained to provide in-region interLATA services, or at such time a Bell operating company first commences manufacturing operations, or begins providing interLATA information services. The engagement will also cover all assets since the date of inception of the Section 272 affiliate, which shall be the date when it, or its predecessor, was incorporated or the date when it first had assets. In the case of in-region interLATA services, if Section 271 approval is obtained, for example, on May 1 and operations begin on June 10, the engagement will cover the 12-month period of operations beginning May 1 through April 30. The planning and preliminary work for the engagement may commence prior to the end of the 12-month period of operations. The first biennial audit will cover all services for which a separate affiliate is required under Section 272(a)(2) and includes all states in which Section 271 approval has been obtained.

Sampling

8. The sampling sizes and methodologies will be determined after the initial survey of the Section 272 affiliate. Where indicated and appropriate, the practitioner will select a statistically valid sample using random and stratified sampling techniques with the following parameters: a desired confidence level equal to 95% and a desired upper precision limit equal to 5% with an expected error rate of 1%. The Oversight Team will approve the sampling plan, after consulting with the BOC, when reviewing the detailed procedures written by the practitioner.

9. Generally, the practitioner should consider all data and information falling within the engagement period; however, unless otherwise stated in this document or accepted by the Oversight Team, the practitioner should obtain data and information as of the latest period available during the engagement period.

Definitions

10. Throughout this document the BOC is mentioned as being one of the entities being analyzed. If the BOC transfers or assigns to an affiliated entity ownership of any network elements

that must be provided on an unbundled basis per Section 251(c)(3), such entity will be subject to all of the requirements of the BOC. For purposes of this audit, in the event that the BOC retails or wholesales any exchange and/or exchange access services exclusively through one or more of its subsidiaries or affiliates, or through one or more other subsidiaries, divisions, etc., of the parent Regional Holding Company, and the same services cannot be purchased directly from the BOC, then these entities will also be subject to all of the relevant nondiscriminatory requirements of objectives VII through XI of this document. Affiliates that merely resell the BOC's exchange services and/or exchange access services or lease unbundled elements from the BOC, or engage in permissible joint marketing activities (see Section 272(g)(1) of the Act), are excluded from these requirements.

11. The term "affiliate" means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For this purpose, the term "own" means to own an equity interest (or the equivalent thereof) of more than 10 percent. (Section 3 of the Communications Act of 1934, as amended)

Conditions of Engagement

12. The practitioner leading this engagement must be a licensed CPA. He/she and his/her team performing the engagement must be familiar with the guidelines established for agreed-upon procedures, the requirements for this engagement, and its objectives. The team performing the engagement should also be independent as defined in the Statements on Standards for Attestation Engagements at "AT §100.23, .24". All members of the team performing the engagement must have read, understood, and be familiar with all of the requirements contained in the following documents:

- Sections 271 and 272 of the Communications Act of 1934, as Amended;
- Section 32.27, Transactions with Affiliates, of the FCC's Uniform System of Accounts for Telecommunications Companies (USOA);
- The following FCC Dockets:

  a. CC Docket No. 86-111 dealing with the allocation of joint costs between the regulated and nonregulated activities of the telephone company;

  b. CC Docket No. 96-149 dealing with the implementation of the non-accounting safeguards of Sections 271 and 272 of the Act;

c. CC Docket No. 96-150 dealing with the implementation of the accounting safeguards of Sections 271 and 272 of the Act;

d. CC Docket No. 96-98 dealing with the implementation of the local competition provisions of the Act (the interconnection orders);

e. CC Docket No. 96-115 dealing with the use of customer proprietary network information;

f. Pending and/or initiated proceedings, such as CC Docket No. 96-254 dealing with manufacturing operations; CC Docket No. 98-56 dealing with standards for measuring operations support systems (OSS);

- BOC's Section 271 application and related FCC approval;

- State Commissions' orders approving those interconnection agreements tested within the engagement;

- Petitions for arbitration with the BOC for those agreements tested within the engagement.

13. In addition, the practitioner has an affirmative obligation to first advise the Joint Federal/State Oversight Team, where he/she deems appropriate, of the need to expand the scope of the engagement and its procedures in order to provide to the users all of the information which they need to determine compliance or noncompliance with the various requirements, including any additional fees that will be charged the BOC for the expanded scope. However, after discussion with the BOC and its Section 272 affiliates, the Oversight Team will make the final decision where additional procedures are warranted.

14. The practitioner may use the services of a specialist for assistance in highly technical areas. The specialist must not be affiliated in any form with the BOC or any of its affiliates.

15. Use of internal auditors must be limited to the provision of general assistance and the preparation of schedules and gathering of data for use in the engagement. Under no circumstances shall the internal auditors perform any of the procedures contained in this document. All procedures contained

in this document must be performed by the independent practitioner and his/her staff.

16. No part of the BOC cost allocation manual (CAM) annual audit can be used to satisfy any of these biennial audit requirements.

Representation Letters

17. The practitioner shall obtain three representation (assertion) letters. One representation letter should address all items related to operations. Another representation letter should address all items of a financial nature. And another representation letter should address that all Section 272 affiliates have been disclosed. Below are details of each representation letter.

18. The representation letter related to operations issues shall be signed by the Chief Operating Officer of the BOC and each Section 272 affiliate and shall include the following:

a. acknowledgement of management responsibility for complying with specified requirements;

b. acknowledgement of management responsibility for establishing and maintaining an effective internal control structure over compliance;

c. statement that management has disclosed or will disclose to the practitioner all known noncompliance up to the date of the draft report;

d. statement that management has made available all documentation related to compliance and noncompliance with the specified requirements;

e. statement that management has disclosed any communications from regulatory agencies, internal auditors, external auditors, external parties (including competitors), and other practitioners concerning possible noncompliance with the specified requirements, including communications received between the end of the period addressed in management's assertion and the date of the practitioner's report;

f. statement that each Section 272 affiliate operates independently from the BOC, that the BOC does not own any facilities jointly with the affiliates, that the BOC does not provide any operations, installation, and maintenance functions over the facilities owned by the affiliates, or leased by the affiliates from unaffiliated entities and that it is not providing and did not provide any research and development activities on behalf of the affiliates;

g. statement that each Section 272 affiliate has separate officers, directors, and employees from those of the BOC;

h. statement that the BOC has not discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards; (On the BOC's representation letter only)

i. statement that the BOC subject to Section 271(c) of the Act has fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates; and (On the BOC's representation letter only)

j. statement that the BOC subject to Section 251(c) of the Act has made available facilities, services, or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as it has made available to its Section 272 affiliates that operate in the same market. (On the BOC's representation letter only)

19. The representation letter related to financial issues shall be signed by the Chief Financial Officer of the BOC and each Section 272 affiliate and shall include the following:

a. statement that each Section 272 affiliate maintains separate books, separate records, and separate accounts from those of the BOC and that all such books, records, and accounts are maintained in accordance with GAAP;

b. statement that each Section 272 affiliate has not obtained credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the BOC;

c. statement that management has identified to the practitioner all assets transferred or sold and services rendered, (i) by the BOC to each Section 272 affiliate, (ii) by all central services organizations to each Section 272 affiliate, and (iii) by each Section 272 affiliate to the BOC; and that these transactions have been accounted for in the required manner;

d. statement that the BOC subject to Section 251(c) of the Act has charged its Section 272 affiliates, or imputed to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service; (On the BOC's representation letter only)

e. statement that, if the BOC and an affiliate subject to Section 251(c) of the Act make available and/or have provided any interLATA facilities or services to its interLATA affiliate, such facilities or services are made available to all carriers at the same rates and on the same terms and conditions, and the associated costs are appropriately allocated; (On the BOC's representation letter only)

f. statement that management has not changed any of the BOC processes or procedures (as they relate to transactions of any kind with the Section 272 affiliate), since the execution of these agreed-upon procedures without apprising the practitioner, before the date of the draft report. (On the BOC's representation letter only)

20. The representation letter related to the disclosure of all Section 272 affiliates shall be signed by the Chief Financial Officer of the BOC's corporate holding company and shall state that each Section 272 affiliate has been identified, accounted for in the required manner, and disclosed in the required manner.

Engagement Process

21. The general standard procedures contained in this document are intended to provide general areas of audit work coverage and uniformity of audit work among all regions, to the extent possible considering state regulatory and corporate differences. They will be used by the BOCs as a guide for drafting the preliminary audit requirements, including the proposed scope of the audit, as prescribed in Section 53.211(a) and (b) of the FCC's Rules and Regulations. Under these rules, the BOCs subject to these audits must submit the preliminary audit requirements, including the proposed scope and extent of testing to the Oversight Team before engaging an independent accounting firm to conduct the biennial audit. The Oversight Team then has 30 days to review the preliminary requirements to determine whether they are adequate to meet the audit requirements in Section 53.209. We expect the preliminary requirements and scope of the audit to be similar to this document and to cover all of the areas described in this model. The BOC shall not engage any practitioner who has been instrumental during the past two years in designing any of the

systems under review in the biennial audit. After the BOC has engaged a practitioner to perform the biennial audit, the process for drafting detailed procedures is as follows:

- The Oversight Team and the practitioner will perform a joint survey of the affiliate. The purpose of this survey is to become acquainted with the company's structure, procedures, recordkeeping process, extent of affiliate transactions, and process followed by the BOC to process orders for services received from affiliates, nonaffiliates, and its own end-user customers. This survey will be conducted between four to six months after the affiliate has received approval to begin operations, or four to six months after the affiliate has begun operations where approval is not necessary.

- The practitioner will draft detailed procedures following the guidelines set forth by these general standard procedures and will submit them for review concurrently to all users.

- The Oversight Team will review the detailed procedures for consistency and adequacy of audit coverage and will approve them within a period of 30 days.

22. Access to companies' proprietary data and discussions of findings and facts related to the biennial audit is restricted to: (a) FCC staff members, (b) state staff members who by statute protect companies' proprietary data, (c) state staff members who have signed a protective agreement with the companies over which they have jurisdiction, (d) all state staff members of any participating state that has confidentiality procedures in effect covering all staff and that has the Chairman or designee sign the protective agreement on behalf of the entire Commission including Commission staff, and, (e) state staff members who have not signed the protective agreement, but that the company does not object to provide verbal information or written data, provided that they do not take possession of such data. Section 272(d)(3)(C) of the Communications Act of 1934, as amended, requires that State Commissions implement appropriate procedures to ensure the protection of any proprietary information obtained in connection with these biennial audits.

23. The detailed examination of the transactions may begin at such time as the practitioner deems appropriate to complete the engagement in accordance with the time schedule set forth in the FCC Rules and Regulations of Section 53.211 and Section 53.213.

24. During the course of the biennial audit, the

practitioner will inform the Oversight Team well in advance, but not less than 10 days, of plans to meet with the representatives of the BOC and the affiliate to discuss plans and procedures for the engagement, to survey the companies' operations, to overview the companies' procedures for maintaining books and records, and to discuss problems and findings encountered during the engagement. It is not necessary to inform the Oversight Team of meetings with the client to ask for clarification and explanation of certain items and/or to explore what other records exist and for requests of data. The practitioner shall also inform the Oversight Team and explain any deviation and or revisions necessary to the final detailed procedures immediately after having done so. The practitioner shall also submit to the Chief, Common Carrier Bureau, and shall copy the Oversight Team, any accounting or rule interpretations necessary to complete the engagement. The practitioner shall advise the Oversight Team of the need for more time to complete the engagement in the event additional procedures are requested by the Oversight Team (see 25c. below).

Timetables

25. In order to complete this engagement in a timely manner, below are time schedules to complete certain tasks:

a. Within 60 days after the end of the engagement period, but prior to discussing the findings with the BOC or the affiliate, the practitioner shall submit a draft of the report to the Oversight Team.

b. The Oversight Team shall have 45 days to review the findings and working papers and offer its recommendations, comments, and exceptions concerning the conduct of the engagement to the practitioner.

c. If additional procedures are recommended by the Oversight Team, the practitioner will advise the Oversight Team of any need for additional time to perform such procedures. Otherwise, after receiving the Oversight Team's recommendations, the practitioner has 15 days to make the appropriate revisions to the report and submit the report to the BOC for its comments on the findings, and to the Oversight Team.

d. The BOC shall have 30 days after receipt of the report to comment on the findings and send a copy of its comments to both the practitioner and the Oversight Team. At this time, the BOC will also indicate what information in the report it deems proprietary and why it should not be released to the public.

e. The Oversight Team will negotiate with the BOC and delete from the final report information deemed proprietary. The BOC will provide the Oversight Team a statement where it makes no proprietary or confidential claim with regard to any information contained in the final biennial engagement report or to any comments or reply comments included therein. This statement should be signed by the Chief Operating Officers of both the Section 272 affiliate and the BOC.

f. The practitioner shall have 10 days to respond to the BOC's comments. The report which contains the procedures employed with the related findings, the Oversight Team's comments, the BOC's comments, and the practitioner's reply comments will comprise the final report.

g. The report is then filed by the practitioner with the FCC and the State Regulatory Agencies participating in the joint AUP engagement for concurrent public release.

h. Interested parties have 60 days from the date the report is made available for public inspection to file comments with the Commission and/or any State Regulatory Agency.

Report Structure

26. The practitioner's report shall present all procedures and all findings encountered for each procedure performed, regardless of materiality, under each engagement objective. It should also contain the following elements:

a. A statement indicating that the practitioner is independent.

b. Identification of the specified users.

c. Reference to management assertions and the character of the engagement.

d. A statement that the procedures performed were those agreed to by the specified users identified in the report.

e. Reference to standards established by the American Institute of Certified Public Accountants.

f. A statement that the sufficiency of the procedures is solely the responsibility of the specified users and a disclaimer of responsibility for the sufficiency of those procedures.

g. A statement that the practitioner was not engaged to, and did not, perform an examination of the assertion, a disclaimer of opinion on the assertion, and a statement that if the practitioner had performed additional procedures, other matters might have come to his or her attention that would have been reported.

h. This report becomes a matter of public record via the practitioner's filing the final report with the FCC and the state regulatory agencies participating in the audit for the region.

i. A description of any limitations imposed on the practitioner by the BOC or any other affiliate, or other circumstances that might affect the practitioner's findings.

j. A description of the nature of the assistance provided by specialists and internal auditors.

PROCEDURES

Procedures for Structural Requirements

<u>OBJECTIVE I.</u> Determine whether the separate affiliate required under Section 272 of the Act has operated independently of the Bell operating company.

<u>STANDARDS</u>

The FCC has issued rules and regulations in CC No. Docket 96-149, Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended. Some of those rules require that,

- A BOC and its Section 272 affiliate cannot jointly own transmission and switching facilities, broadly defined as local exchange and exchange access facilities, or the land and buildings where those facilities are located. (47 C.F.R. Section 53.203(a)(1) and First Report and Order, para. 15, 158, 160)

- A Section 272 affiliate shall not perform operating, installation or maintenance functions associated with the BOC's facilities. Likewise, a BOC or any BOC affiliate, other than the Section 272 affiliate itself, shall not perform operating, installation or maintenance functions associated with the facilities that each Section 272 affiliate owns or leases from a provider other than the BOC with which it is affiliated. (47 C.F.R. Section 53.203(a)(2), (3) and First Report and Order, para. 15, 158, 163)

- To the extent that research and development is a part of manufacturing, it must be conducted through a Section 272 affiliate. If a BOC seeks to develop services for or with its Section 272 affiliate, the BOC must develop services on a nondiscriminatory basis for or with other entities pursuant to Section 272(c)(1). (First Report and Order, para. 169)

<u>PROCEDURES</u>

1. Inspect the certificate of incorporation, bylaws, and articles of incorporation of each Section 272 affiliate to determine whether the affiliates were established as

corporations separate from the BOC. Note the results of this procedure.

2. Obtain and inspect corporate entities' organizational chart(s) and confirm with legal representatives of the BOC and Section 272 affiliates the legal, reporting, and operational corporate structure of the Section 272 affiliates. Document who owns the Section 272 affiliates and to whom do they report to determine the independence of the affiliate.

3. Obtain functional organizational chart for each Section 272 affiliate as of the end of the ninth month of the engagement period and document for each department,

   - Number of employees

   - Street address(es) where employees are located

   - Description of functions performed by location.

4. Obtain from each Section 272 affiliate a list and description of services rendered to each Section 272 affiliate,

   - By the BOC (all services)

   - By other affiliates (all services)

   - By unaffiliated companies (operations, installation and maintenance only).

   This list should include the location of both the providing and receiving entity for all services involving operations, installation and maintenance.

5. From the data obtained in Procedures 3 and 4, identify and document which entity performs operations, installation, and maintenance functions over transmission and switching facilities either owned or leased by each Section 272 affiliate. Also, identify the street address location where these facilities are located and identify whether these facilities are owned or leased by each Section 272 affiliate, and, if leased, from whom they are leased.

6. Obtain descriptions of research and development (R&D) activities of the BOC for the first nine months of the engagement period and note any R&D related to the activities of each Section 272 affiliate. For R&D related to

activities of each Section 272 affiliate ask BOC personnel for more details, such as extent of R&D provided, progress reports, cost, and whether the Section 272 affiliate has been billed and has paid for this service. Inquire, and provide details, as to whether R&D service is offered and/or has been performed when requested by unaffiliated entities.

7. Obtain as of the end of the ninth month of the engagement period the balance sheet of each Section 272 affiliate and a detailed listing of all fixed assets which agree with the amount shown in the balance sheet. If the list does not agree, inquire and document why. This detailed listing should include a full description of each item, date of purchase, price paid and recorded, and from whom purchased or transferred. Inspect title and other documents, which reveal ownership, of a statistically valid sample of transmission and switching facilities and the land and buildings where those facilities are located. Look for and make a note of any facilities which are owned jointly with the BOC. The balance sheet information obtained in this procedure should also be used to perform Procedure 13 under Objectives V and VI.

OBJECTIVE II. Determine whether the separate affiliate required under Section 272 of the Act has maintained books, records, and accounts in the manner prescribed by the Commission that are separate from the books, records, and accounts maintained by the Bell operating company.

STANDARDS

In CC Docket No. 96-150, Implementation of the Accounting Safeguards Under the Telecommunications Act of 1996, the FCC requires that each Section 272 affiliate maintain books, records, and accounts, in accordance with generally accepted accounting principles (GAAP), and separate from those of the BOC. (Report and Order, para. 170)

PROCEDURES

1. Obtain the general ledger (G/L) of each Section 272 affiliate and match the title on the G/L with the name of the affiliate on the certificate of incorporation to determine that a separate G/L is maintained. Look for special codes, if any, which may link this G/L to the G/L of the BOC and provide documentation. Note: Linkage at corporate headquarters for consolidations is an accepted practice.

2. Obtain each Section 272 affiliate's written accounting procedures and policies and identify the process for recording financial transactions of the Section 272 affiliate in the G/L; document such transaction flows along with key control points. In addition, identify the controls related to the proper identification and recording of Section 272 affiliate transactions in its separate books of account.

3. Obtain the cash receipts and cash disbursement journals and related ledgers for the ninth month of the engagement period. By random selection trace ten (10) cash receipt and ten (10) cash disbursement (including at least 5 payroll) transactions to the Section 272 affiliate bank account(s). Note name of affiliate on the bank account and whether these transactions cleared through this bank account. Compare account numbers indicated in the journals to those in the general ledger and note any differences.

4. Obtain each Section 272 affiliate's financial statements and lease agreements, as of the end of the ninth month of the

engagement period. Identify leases for which the annual obligation is $500,000 or more. Determine whether these leases have been accounted for in accordance with GAAP. Determine whether client lease accounting policies are in accordance with GAAP.

OBJECTIVE III. Determine whether the separate affiliate required under Section 272 of the Act has officers, directors, and employees that are separate from those of the Bell operating company.

STANDARDS

The FCC in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, interprets the above requirement further by stating the following:

- Separate officers, directors, and employees simply dictates that the same person may not simultaneously serve as an officer, director, or employee of both a BOC and its Section 272 affiliate. (First Report and Order, para. 178).

PROCEDURES

1. Obtain the BOC's and Section 272 affiliates' policies and procedures for transfers, sharing, and loan of employees between each other. Identify and document the types of internal controls that are in place that would prevent one from being an officer, or director, or employee of both the BOC and Section 272 affiliate at the same time.

2. Inquire and document as to whether each Section 272 affiliate and the BOC maintain separate boards of directors and separate officers. Obtain list of officers and of board of directors' names of the BOC and Section 272 affiliate(s) for the engagement period and compare and document the names appearing on both lists, respectively. Obtain the minutes of the meetings of the board of directors for both the BOC and Section 272 affiliate(s) for the engagement period and compare and document the names appearing on the minutes of the BOC and each Section 272 affiliate.

3. Obtain the functional organizational chart of each Section 272 affiliate as of the end of the ninth month of the engagement period (see Objective I, Procedure 3) and inspect it to determine whether any departments report either functionally or administratively (directly or indirectly) to an officer of the BOC.

4. Obtain payroll registers for the BOC and each Section 272 affiliate that include the social security numbers of all the directors, officers and employees for the ninth month of

the engagement period. Compare social security numbers of directors, officers, and employees appearing on both lists; document those names and/or social security numbers appearing on both lists, and inquire and document why.

5. Obtain a list of officers and employees who transferred from the BOC at any time to each Section 272 affiliate, and by the use of a statistically valid sample, determine whether the company's internal controls inspected in Procedure 1 have been implemented. Also, interview these employees to determine whether they used any proprietary information (e.g., customer proprietary network information (CPNI), Network Planning Manuals, Plant Traffic Practices, Operation, Installation and Maintenance (OI&M) Practices) obtained while they were employees of the BOC or whether any of the above information is made available to them through friends and acquaintances still employed by the BOC.

6. Obtain a list of all employees of each Section 272 affiliate since February 8, 1996, the date of the Act. By the use of a statistically valid sample, inspect company's files which indicate employees' employment history within the BOC family of companies and document whether they were employees of the BOC or any of its affiliates at any time. Also, document number of employees, number of times, and dates each employee transferred back and forth between the BOC or any other affiliate and the Section 272 affiliate since February 8, 1996.

OBJECTIVE IV. Determine that the separate affiliate required under Section 272 of the Act has not obtained credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Bell operating company.

STANDARDS

The FCC in 47 C.F.R. Section 53.203(d) indicates that a Section 272 affiliate shall not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the BOC of which it is an affiliate.

The FCC also expands on this premise in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended. In this docket the Commission states that,

- A BOC cannot co-sign a contract or any other instrument with a Section 272 affiliate that would allow each Section 272 affiliate to obtain credit granting recourse to the BOC's assets. (First Report and Order, para. 189)

- The BOC parent, or any other non-272 affiliate, cannot sign or co-sign a contract or any arrangement with a Section 272 affiliate that would allow the creditor to have recourse to the BOC assets. (First Report and Order, para. 189)

- A Section 272 affiliate cannot enter any arrangement with any party that would permit the lender to have recourse to the BOC in the event of a default. (First Report and Order, para. 189)

PROCEDURES

1. Document each Section 272 affiliate's debt agreements/instruments and credit arrangements with lenders and major suppliers of goods and services; look for guarantees of recourse to the BOC's assets, either directly or indirectly through another affiliate, and document these instances. Major suppliers are those having $500,000 or more in annual sales to the Section 272 affiliate.

2. Using the lease agreements obtained in Objective II, Procedure 4, document any instances in which each Section 272 affiliate's lease agreements (where the annual

obligation is $500,000 or more) have recourse to the BOC's assets, either directly, or indirectly through another affiliate.

3. For all debt instruments, leases, and credit arrangements maintained by each Section 272 affiliate, obtain (positive) confirmations from loan institutions, major suppliers, and lessors (as defined in Procedures 1 and 2 above) to attest lack of recourse to the BOC assets.

4. Document from each Section 272 affiliate the balance of the accounts payable to and/or advances from the BOC as of the end of the ninth month of the engagement period.

Procedures for Accounting Requirements

OBJECTIVE V. Determine whether the separate affiliate required under Section 272 of the Act has conducted all transactions with the Bell operating company on an arm's length basis with the transactions reduced to writing and available for public inspection.

OBJECTIVE VI. Determine whether or not the Bell operating company has accounted for all transactions with the separate affiliate in accordance with the accounting principles and rules approved by the Commission.

STANDARDS

The FCC in CC Docket 96-150, Implementation of the Accounting Safeguards Under the Telecommunications Act of 1996, interprets the above requirements further by stating:

- A Section 272 affiliate shall conduct all transactions with the BOC of which it is an affiliate on an arm's length basis, pursuant to the accounting rules described in 47 C.F.R. Section 32.27, Transactions with Affiliates, of the FCC Rules and Regulations, with any such transactions reduced to writing and available for public inspection. (47 C.F.R. Section 53.203(e)). Section 32.27 requires the following:

  For transactions involving the sale or transfer of assets or products between the carrier and affiliates:

  a. assets sold to or by the carrier under tariff must be recorded at tariffed rate in the books of the carrier;

  b. nontariffed assets sold to or by the carrier that qualify for prevailing price must be recorded at prevailing price in the books of the carrier. In order to qualify for prevailing price valuation, sales of a particular asset must encompass greater than 50 percent of the total quantity of such product sold by an entity; 50% threshold is applied on an asset by asset basis rather than on a product line basis;

  c. all other assets sold by or transferred from a carrier to affiliates must be recorded in the books of the carrier at the higher of fair market value or net book cost; (Note: carriers are required to make a good faith estimate of fair market value.)

d. all other assets purchased by or transferred to a carrier from affiliates must be recorded in the books of the carrier at the lower of fair market value or net book cost; (Note: carriers are required to make a good faith estimate of fair market value.)

For transactions involving the provision of services between the carrier and affiliates:

a. services provided to or by the carrier at tariff must be recorded at tariffed rate in the books of the carrier;

b. nontariffed services provided to or by the carrier pursuant to publicly filed agreements submitted to a state commission must be recorded in the books of the carrier at the rate appearing in publicly filed agreements;

c. nontariffed services provided to or by the carrier that qualify for prevailing price must be recorded in the books of the carrier at prevailing price. In order to qualify for prevailing price valuation, sales of a particular service must encompass greater than 50 percent of the total quantity of such service sold by an entity; 50% threshold is applied on a service by service basis rather than on a service line basis;

d. all other services provided to a carrier by an affiliate must be recorded in the books of the carrier at the lower of fair market value or fully distributed cost. (Note: carriers are required to make a good faith estimate of fair market value.) *Exception* -- services received by a carrier from an affiliate that exists *solely* to provide services to members of the carrier's corporate family must be recorded in the books of the carrier at fully distributed cost.

e. all other services provided by the carrier to an affiliate must be recorded in the books of the carrier at the higher of fair market value or fully distributed cost; (Note: carriers are required to make a good faith estimate of fair market value.)

f. Fully distributed cost is determined by following the standards contained in 47 C.F.R. Section 64.901, Allocation of Costs, of the FCC Rules and Regulations. These rules emphasize direct assignment and cost causation. First, costs are to be directly assigned either to regulated or nonregulated activities to the maximum extent possible. Then, costs which cannot be directly assigned are to be grouped into homogeneous cost pools and allocated in accordance with direct or indirect measures of cost causation. Residual costs which cannot be apportioned on any cost-causative basis will be apportioned using the general allocator. The general allocator is the ratio of all expenses directly assigned or attributed to nonregulated activities, to the total of all (regulated and nonregulated) directly assigned or attributed expenses.

- A BOC and a Section 272 affiliate may provide in-house services to one another, except for operating, installation, or maintenance services. These in-house services, however, must be provided on an arm's length basis, and must be in writing. (CC Docket No. 96-149, First Report and Order, para 180)

- Provision of exchange and exchange access services and unbundled network elements constitute transactions requiring disclosure (CC Docket No. 96-150, Report and Order, para. 124). These transactions include the provision of transmission and switching facilities by the BOC and its affiliate to one another. (CC Docket No. 96-149, First Report and Order, para. 193)

- The separate affiliate must provide a detailed written description of the asset or service transferred, together with the specific price and the terms and conditions of the transaction on the Internet within 10 days of the transaction through the company's home page. These descriptions should be sufficiently detailed to allow evaluation of compliance with accounting rules. This information must also be made available for public inspection at the principal place of business of the BOC and must contain a certification statement identical to that included in the ARMIS Reports. This certification statement declares that an officer of the BOC has represented that to the best of his knowledge all statements of fact contained in the submission are true and the submission is an accurate statement of the affairs of the BOC for the relevant period. (Report and Order, para. 122)

- Affiliate transaction rules apply to transactions between the BOC and each Section 272 affiliate; between each Section 272 affiliate and a nonregulated affiliate, that ultimately result in an asset or service being provided to the BOC, i.e., chained transactions. (Report and Order, para. 183)

- Products and services made available to the Section 272 affiliate and to unaffiliated companies need not meet the 50 percent threshold in order for a BOC to record the transaction involving such products and services at prevailing price. (Report and Order, para. 137)

- Nondiscrimination requirements extend to any good, service, facility, or information that a BOC provides to its Section 272 affiliate(s) with the exception of joint marketing, which is covered in Section 272(g)(1) and (2) of the Act. Unaffiliated entities must have equal opportunity to acquire any such good, service, facility, or information. In particular, if a BOC were to decide to transfer ownership of a unique facility, such as its Official Services network, to a Section 272 affiliate, it must ensure that the Section 272 affiliate and unaffiliated entities have an equal opportunity to obtain ownership of this facility. (CC Docket 96-149, First Report and Order, para. 218)

- Interstate rate base, revenue requirements, and price cap indices of the BOC must be reduced by the costs related to any regulated facilities transferred to each Section 272 affiliate. (CC Docket No. 96-150, Report and Order, para. 265)

PROCEDURES

1. Obtain from the BOC a list of all complaints from competitors related to the provision or procurement of goods, services, facilities, and information, or in the establishment of standards which were filed during the first nine months of the engagement period. This list should group the complaints in the following categories:

   - allegations of cross-subsidies (for Objectives V and VI);

   - allegations of discriminatory provision or procurement of goods, services, facilities, customer network services information (excludes customer proprietary network information (CPNI)), or the establishment of standards (for Objective VII);

- allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (for Objective VIII);

- allegations of discriminatory availability of exchange access facilities (for Objective IX);

- allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI).

For each group of complaints, determine by inquiry and documentation how many of these complaints were under investigation, how many complaints had been resolved and in what time frame they had been resolved, if feasible. For those complaints that had been resolved, document how those allegations were concluded and, if the complaint was upheld, inquire and document what steps the company has taken to prevent those practices from recurring.

2. Obtain from the BOC and each Section 272 affiliate current written procedures for transactions with affiliates. Compare these procedures with the FCC Rules and Regulations indicated as "standards" above. Note and describe any differences.

3. Inquire and describe how the BOC and each Section 272 affiliate disseminate the FCC Rules and Regulations and raise awareness among employees for compliance with the affiliate transactions rules. For this purpose, describe type and frequency of training, if any, literature distributed, company's policy, and document the supervision employees responsible for affiliate transactions received. Interview employees responsible for the development and recording of affiliate transactions costs in the books of record of the carrier to determine awareness of these rules.

4. Inquire and describe the process that a Section 272 affiliate must follow to request any type of service from the BOC. Describe the approval process within the BOC to fulfill a request for service from a Section 272 affiliate.

Does the Section 272 affiliate request services directly from the department that provides the service?

5. Obtain all written agreements for services and for interLATA and exchange access facilities between the BOC and each Section 272 affiliate which were in effect during the first nine months of the engagement period. Summarize these agreements, if feasible, otherwise include copies of relevant pages, and note names of parties, type of service, price, terms, and conditions. Compare these agreements with the list of services provided by the BOC to the Section 272 affiliate in Objective I, Procedure 4 and note any discrepancies. In addition, note which agreements are still in effect. For those agreements no longer in effect, indicate termination date; identify agreements terminated prematurely and document why. Inquire and document the provisioning of any service without a written agreement.

6. At the end of the ninth month of the engagement period, view each company's home page on the Internet and compare the prices and terms and conditions of services and assets shown on this site to the agreements provided in Procedure 5 above. By physical inspection, determine whether the same information is made available for public inspection at the principal place of business of the BOC. Describe any differences and inquire why such differences exist. If the company makes any claim of confidentiality for nondisclosure, obtain details. It should be noted that these transactions should be posted for public inspection within 10 days of their occurrence. Document the procedures that the company has in place for posting these transactions on a timely basis. The information provided on the Internet should be in sufficient detail to allow evaluation for compliance with accounting rules (see Docket No. 96-150, Report and Order, para. 122). Obtain copies of these public postings and include in the working papers.

7. For nontariffed services and for services for which a prevailing market price (PMP) has not been established, or are not subject to publicly filed agreements, document the BOC's and the Section 272 affiliate's process for developing fully distributed cost (FDC). Document and identify the type of costs included in FDC. Document the actual development of FDC for two services, at each company, to be identified by the Oversight Team after the survey of the affiliate.

8. For nontariffed services for which a PMP has not been established, or are not subject to publicly filed

agreements, document the process the BOC and the Section 272 affiliate follow to make a good faith estimate of fair market value (FMV). Document the actual development of a good faith estimate of FMV for two services, at each company, to be identified by the Oversight Team after the survey of the affiliate.

9. Obtain a listing and amounts of all services rendered by month by the BOC to each Section 272 affiliate during the first nine months of the engagement period (see Objective I, Procedure 4). For those services made available to the Section 272 affiliate that are not made available to third parties, using a statistically valid sample, compare unit charges to PMP, or FDC, or FMV, as appropriate, to determine whether these amounts were recorded in the books of the BOC in accordance with the affiliate transactions standards. When differences exist, note the number of instances and the amounts involved. Inquire and make a note of reasons for these occurrences. Document the amount the Section 272 affiliate has recorded for the service in its books of record. Also, document the amount the Section 272 affiliate has paid for the service to the BOC.

10. Obtain a listing and amounts of all services rendered by month to the BOC by each Section 272 affiliate during the first nine months of the engagement period. Using a statistically valid sample, compare unit charges to tariff rates, or PMP, or FDC, or FMV, as appropriate, to determine whether these services were recorded in the books of the BOC in accordance with the affiliate transactions standards. When differences exist, note the number of instances and the amounts involved. Inquire and make a note of reasons for these occurrences. Document the amount the BOC has recorded for the service in its books of record. Also, document the amount the BOC has paid for the service to the Section 272 affiliate.

11. Inquire and note how and who maintains each Section 272 affiliate's employee benefits plans (such as life insurance, health insurance, retirements plans). Determine by inquiry who pays or funds these benefits plans and whether the costs for administering these plans are allocated or assigned to the Section 272 affiliates.

12. Inquire whether any central services organization (such as the services company, the parent company, the data processing company, etc.) of the BOC renders services to each Section 272 affiliate. If so, obtain a listing (see Objective I, Procedure 4) and amounts of services rendered

by month by each central services organization to each Section 272 affiliate during the first nine months of the engagement period. Note the methodology used to identify and cost these services and, for a statistically valid sample, obtain evidence that services are being billed to each Section 272 affiliate and that such affiliates are paying for these services. If not, identify and document the process these organizations have to ensure that these costs are not recovered from the BOC.

13. Obtain as of the end of the ninth month of the engagement period the balance sheet of each Section 272 affiliate and a detailed listing of all fixed assets which agrees with the amount shown in the balance sheet. If the list does not agree, inquire and document why. This detailed listing should include a full description of each item, date of purchase, price paid and recorded, and from whom purchased or transferred. The balance sheet information obtained in this procedure should also be used to perform Procedure 7 under Objective I. Other specific steps to be performed follow:

    a. For those items purchased or transferred from the BOC, obtain net book cost and fair market value. Inquire and document how the fair market value was determined. Inspect these transactions to determine whether they were recorded in the books of the BOC at the higher of FMV or net book cost, as required.

    b. For those items purchased or transferred from another affiliate, identify and document whether they were originally transferred from the BOC to other affiliates.

    c. For those items purchased or transferred from the BOC, either directly or through another affiliate, since February 8, 1996, also inquire and obtain details as to how the BOC made an equal opportunity available to unaffiliated entities to obtain ownership of the facilities. Describe how and upon what basis the BOC decided to transfer/sell the facilities to a Section 272 affiliate instead of an unaffiliated entity.

14. Where assets are priced pursuant to Section 252(e) (i.e., as approved by the regulatory commissions) or statements of generally available terms pursuant to Section 252(f), compare such charges to the publicly-filed agreements or statements and document any differences.

15. Inquire and obtain details as to whether any part of the

BOC's Official Services network was transferred or sold to a Section 272 affiliate at any time. In addition to the requirements for Procedure 13, for any transfer or sale of assets on or after February 8, 1996, inquire and obtain details as to how the BOC made an equal opportunity available to unaffiliated entities to obtain ownership of the facilities. Describe how and upon what basis the BOC decided to transfer/sell the facilities to a Section 272 affiliate instead of an unaffiliated entity.

16. If any facilities were either sold or transferred to a Section 272 affiliate, obtain the interstate price cap indices to determine whether, (i) the rate base had been reduced by the net book cost of the assets sold or transferred, (ii) the revenue requirement had been adjusted to reflect the gain from the sale or transfer of the assets and, (iii) the revenue requirement had been adjusted permanently to reflect the reduced operating costs related to the assets sold or transferred. Document this procedure. If the BOC had not made these adjustments, inquire and explain.

17. Inquire and obtain details on construction to reconfigure the telephone network of the BOC to connect to that of the Section 272 affiliate. Describe the extent of the reconfiguration construction, who was the contractor, when did it take place, how much did it cost, who paid for it, and on which books and accounts was it recorded.

Procedures for Nondiscriminatory Requirements

OBJECTIVE VII. Determine whether or not the Bell operating company has discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards.

STANDARDS

The FCC in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, establishes some non-discriminatory rules and regulations. These rules and regulations do not permit a Bell operating company (BOC) to discriminate in the following manner:

- by giving preference to a Section 272 affiliate's equipment in the procurement process. (First Report and Order, para. 16)
- in awarding contracts for telecommunications equipment directly to their affiliate. (First Report and Order, para. 234)
- by failing to provide advance information about network changes to its competitors. (First Report and Order, para. 16)
- by not offering third parties the same goods, services, facilities and information (excludes customer proprietary network information (CPNI) and joint marketing) that it provides to its Section 272 affiliate at the same rates, terms, and conditions. (First Report and Order, para. 202)

NOTES:
(i) BOCs are not required under the nondiscrimination rules and regulations to provide to third parties Customer Proprietary Network Information (CPNI) that is shared with affiliates (see *Second Report and Order*, CC Docket No. 96-115, Released February 26, 1998, para. 169). The provision of "information" referenced in the nondiscriminatory rules and regulations excludes CPNI. CPNI is defined in Section 222(f)(1) of the Act and includes information that is personal to customers as well as commercially valuable to carriers, such as to whom, where and when a customer places a call, as well

as the types of service offerings to which the customer subscribes and the extent the service is used.

(ii) BOCs are allowed to jointly market and sell affiliate-provided interLATA services without offering comparable joint marketing opportunities to other providers of interLATA services (see Section 272(g)(2) of the Act, and CC Docket No. 96-149, First Report and Order, Paragraphs 291-292). However, if BOCs market or sell their telephone exchange services through joint marketing conducted by the Section 272 affiliate, then the BOCs must also permit third parties to market and sell its telephone exchange services (see Section 272(g)(1) of the Act).

- in establishing or adopting any standards that favor its Section 272 affiliate over third parties. (First Report and Order, para. 208 and 229)

- in developing new services solely for its Section 272 affiliate. (First Report and Order, para. 210)

- in purposely delaying the implementation of an innovative new service by denying a competitor's reasonable request for interstate exchange access until its Section 272 affiliate was ready to provide competing service. (First Report and Order, para. 211)

- in marketing its affiliate's interLATA services to inbound callers without informing them of their right to select the interLATA carrier of their choice. (First Report and Order, para. 292)

In addition, a Section 272 affiliate may not market or sell information services and BOC telephone exchange services together, unless the BOC permits other information service providers to market and sell telephone exchange services. (First Report and Order, para. 287)

Another FCC Docket, in which orders have not yet been released, which may impact this objective is CC Docket No. 96-254 dealing with manufacturing activities.

PROCEDURES

1. Obtain from the BOC a list of all complaints from competitors related to the provision or procurement of

goods, services, facilities, and information, or in the establishment of standards which were filed during the first nine months of the engagement period. This list should group the complaints in the following categories:

- allegations of cross-subsidies (for Objectives V and VI);

- allegations of discriminatory provision or procurement of goods, services, facilities, customer network services information (excludes customer proprietary network information (CPNI)), or the establishment of standards (for Objective VII);

- allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (for Objective VIII);

- allegations of discriminatory availability of exchange access facilities (for Objective IX);

- allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI).

For each group of complaints, determine by inquiry and documentation how many of these complaints were under investigation, how many complaints had been resolved and in what time frame they had been resolved, if feasible. For those complaints that had been resolved, document how those allegations were concluded and, if the complaint was upheld, inquire and document what steps the company has taken to prevent those practices from recurring.

2. Obtain the BOC's written procurement procedures, practices, and policies for services and goods provided by each Section 272 affiliate. Make a note of any stated purchasing preferences contained in the BOC's procedures, if any, and provide details of the BOC's bidding process, the selection process, and how the BOC disseminates requests for proposals (RFPs) to affiliates and third parties.

3. Obtain and inspect the BOC's procurement awards to each Section 272 affiliate during the first nine months of the engagement period and inspect bids submitted by each Section 272 affiliate and third party, note terms, and discuss with

BOC representatives how the selection was made. Compare this practice with the BOC written procurement procedures and note any differences.

4. Obtain a list of all goods (including software), services, facilities, and customer network services information, excluding CPNI, other than those related to exchange access services and facilities inspected in Objective IX, made available to each Section 272 affiliate by the BOC. For a statistically valid sample, inquire and obtain copies of the media used by the BOC to inform unaffiliated entities of the availability of the same goods, services, facilities, and information at the same price, terms, and conditions.

5. Obtain a list from the BOC of all unaffiliated entities who have purchased the same goods (including software), services, facilities, and customer network services information (excludes CPNI) from the BOC. If any, describe what goods, services, facilities, and customer network services information and the extent of purchases made. Select a statistically valid sample and compare the rates, terms and conditions of the sampled items to the rates, terms and conditions offered to each Section 272 affiliate. Note any differences. Document the amount each Section 272 affiliate has paid for the same items purchased from the BOC.

6. Document how the BOC disseminates information about network changes, the establishment or adoption of new network standards, and the availability of new network services to each Section 272 affiliate and to unaffiliated entities. Note any differences.

7. Obtain and inspect customer service representatives' scripts for inbound calls establishing new service, adding a second line, moving to a new location, changing selected interLATA service provider, or any other situation where the BOC or BOC affiliated sales agents attempt to market its Section 272 affiliate's interLATA service. These marketing attempts may either be related to interLATA service only or following the sale of a BOC product or service.

8. Observe (listen in, for one half hour each, to at least five) customer service representatives, as defined in Procedure 7, responding to inbound callers to whom the sales representatives attempt to market the Section 272 affiliate's interLATA service. Labor union concurrence may be needed for this procedure. Note messages conveyed during observation. Make a note of any instances where the caller

was referred to the Section 272 affiliate and was not informed of other providers of interLATA services and was not informed of his right to make the selection.

9. Interview 10 sales managers of each Section 272 affiliate and inspect any available printed materials to determine whether any Section 272 affiliates market information services and exchange services, as an agent of the BOC or as a reseller. If yes, interview 10 sales managers of the BOC and inspect printed materials of the BOC to determine whether unaffiliated entities have the same opportunity.

OBJECTIVE VIII. Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates.

STANDARDS

The FCC in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, provides some preliminary rules and regulations. A further proceeding in this matter, currently underway, will provide additional guidelines. We will revise these procedures to conform to the new guidelines when available. Current FCC rules and regulations require that,

- for equivalent requests the response time a BOC provides to unaffiliated entities should be no greater than the response time it provides to itself or its affiliate. (First Report and Order, para 240)
- a BOC must make available to unaffiliated entities information regarding the service intervals in which the BOC provides service to itself or its affiliates. (First Report and Order, para. 242)
- a BOC must not provide a lower quality service to competing interLATA service providers than the service it provides to its Section 272 affiliate at a given price. (First Report and Order, para. 16)

PROCEDURES

1. Obtain from the BOC a list of all complaints from competitors related to the provision or procurement of goods, services, facilities, and information, or in the establishment of standards which were filed during the first nine months of the engagement period. This list should group the complaints in the following categories:
   - allegations of cross-subsidies (for Objectives V and VI);
   - allegations of discriminatory provision or procurement of goods, services, facilities, customer network

services information (excludes customer proprietary network information (CPNI)), or the establishment of standards (for Objective VII);

- allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (for Objective VIII);

- allegations of discriminatory availability of exchange access facilities (for Objective IX);

- allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI).

For each group of complaints, determine by inquiry and documentation how many of these complaints were under investigation, how many complaints had been resolved and in what time frame they had been resolved, if feasible. For those complaints that had been resolved, document how those allegations were concluded and, if the complaint was upheld, inquire and document what steps the company has taken to prevent those practices from recurring.

2. Obtain BOC's reports during the first nine months of the engagement period, if available, indicating time intervals for processing orders, provisioning of service, performing repair and maintenance services **for end user customers** of the BOC, affiliate, and nonaffiliates for the following services:

   - Exchange telephone services

   - Exchange access services

   - Unbundled network elements

   Make a note of differences in time in fulfilling each type of request for the same services from end user customers of the BOC, affiliates, nonaffiliates.

3. Obtain BOC's reports during the first nine months of the engagement period, if available, indicating time intervals for processing orders, provisioning of service, and performing repair and maintenance services **for the affiliate and for nonaffiliates, as customers,** for the following

services:

- Exchange access services

- Unbundled network elements

Make a note of differences in time in fulfilling each type of request for the same services from the affiliate and nonaffiliates.

4. Inspect a statistically valid sample of the underlying data used to prepare the reports obtained in Procedure 2 and 3 above and determine agreement with data in the report and document any differences.

5. If no reports are available, obtain from the BOC a statistically valid sample of all orders requesting exchange telephone services, exchange access services, and/or unbundled network services for end user customers for the period of one month and for one state (to be selected by the Oversight Team). Prepare worksheet indicating the date of the order, the address, the type of services ordered, the date when the order was executed and the service was provided and note the time interval to process requests for end user customers of the BOC, affiliates, nonaffiliates.

6. Repeat Procedure 5 for services requested by the affiliate and nonaffiliates as the users of those services (see Procedure 3 above).

7. Determine by inquiry, first, and then by inspection how and where the BOC makes available to unaffiliated entities information regarding service intervals in providing any service to end user customers of itself, of the affiliates, and of unaffiliated entities. Document the results.

OBJECTIVE IX. **Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have made available facilities, services, or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as it has to its affiliate required under Section 272 that operates in the same market.**

STANDARDS

The FCC in CC Docket No 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, indicates that a BOC may not discriminate in favor of its Section 272 affiliate in the following manner:

- by providing exchange access services to competing interLATA service providers at a higher rate than the rate offered to its Section 272 affiliate. (First Report and Order, para. 16)

- by not making available facilities and services to others on the same terms, conditions and prices that it provides to its Section 272 affiliate. (First Report and Order, para. 316)

PROCEDURES: This objective is closely related to Objective XI which contains procedures for the provision by the BOC of interLATA facilities and services. Therefore, these procedures may be performed in conjunction with the procedures for Objective XI.

1. Obtain from the BOC a list of all complaints from competitors related to the provision or procurement of goods, services, facilities, and information, or in the establishment of standards which were filed during the first nine months of the engagement period. This list should group the complaints in the following categories:

   - allegations of cross-subsidies (for Objectives V and VI);

   - allegations of discriminatory provision or procurement of goods, services, facilities, customer network services information (excludes customer proprietary network information (CPNI)), or the establishment of standards (for Objective VII);

- allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (for Objective VIII);

- allegations of discriminatory availability of exchange access facilities (for Objective IX);

- allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI).

For each group of complaints, determine by inquiry and documentation how many of these complaints were under investigation, how many complaints had been resolved and in what time frame they had been resolved, if feasible. For those complaints that had been resolved, document how these allegations were concluded and, if the complaint was upheld, inquire and document what steps the company has taken to prevent those practices from recurring.

2. Obtain list of exchange access services and facilities with their related rates offered to each Section 272 affiliate and inspect to determine whether the BOC makes these services and facilities available at the same rates, terms, and conditions to all carriers. For this purpose, inspect brochures, advertisements of any kind, bill inserts, correspondence, or any other media used to inform carriers of the availability of these services. Using a statistically valid sample of the informational media identified above, compare rates, terms, and conditions offered each Section 272 affiliate with those offered unaffiliated carriers.

3. Obtain invoices for exchange access services and facilities for one month (to be determined by the Oversight Team) rendered by the BOC to the Section 272 affiliate, and other interexchange carriers (IXCs). Using a statistically valid sample of billed items, inspect underlying details of invoice and compare rates, terms, and conditions charged each Section 272 affiliate with those charged IXCs for the same services and note any differences. If differences are noted, pursue the matter further through inquiry of appropriate personnel and note why they occurred.

4. Using the invoices obtained in Procedure 3 above, trace the

amount invoiced for exchange access services to each Section 272 affiliate and determine whether the amount invoiced was the amount recorded by the BOC and paid by each Section 272 affiliate. For this purpose, identify and inspect method of payment such as cancelled checks, wire transfers, and, if needed, summaries of invoiced amounts corresponding to the amount paid. Note any differences and inquire as to why they occurred.

OBJECTIVE X. Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have charged its separate affiliate under Section 272, or imputed to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.

STANDARDS

The FCC has issued rules and regulations in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended. These rules require that,

- A BOC may not discriminate in favor of its Section 272 affiliate by providing exchange access services to competing interLATA service providers at a higher rate than the rate offered to its Section 272 affiliate (First Report and Order, para. 16). This requirement is met,
  - If the affiliate purchases exchange service and exchange access service at tariffed rates. (First Report and Order, para. 256)
  - If the affiliate acquires services or unbundled elements from a BOC at prices that are available on a nondiscriminatory basis under Section 251. (First Report and Order, para. 256)
  - If the BOC files with the State Commission a statement of generally available terms pursuant to Section 271(c)(1)(B) which would include prices that are available on a nondiscriminatory basis in a manner similar to tariffing, and a BOC's Section 272 affiliate obtains access or interconnection at a price set forth in the statement. (First Report and Order, para. 256)
  - If a BOC makes volume and term discounts available on a nondiscriminatory basis to all unaffiliated interexchange carriers. (First Report and Order, para. 257)
- BOCs are required to charge nondiscriminatory prices, and to allocate properly the costs of exchange access according to the affiliate transactions and joint cost rules. (First

Report and Order, para. 258)

- For integrated operations (for operations performed within the company and not under a separate affiliate), a BOC must impute to itself an amount for access to its telephone exchange service and exchange access that represents tariffed rates (First Report and Order, para. 256). This tariffed rate must be the highest rate paid for access by unaffiliated carriers. The BOC may consider the comparability of the service provided. (CC Docket No. 96-150 Report and Order, para. 87)

PROCEDURES

1. Obtain agreements that each Section 272 affiliate and other interexchange carriers (IXCs) have with the BOC for exchange access services.

2. Determine and fully document in which LATAs the BOC has access price flexibility for interLATA interstate and interLATA intrastate access services.

3. From the agreements obtained in Procedure 1, use a statistically valid sample to compare volumes, discounts, and rates negotiated with each Section 272 affiliate with those negotiated by other IXCs for the same services. Note and discuss any differences with management.

4. Obtain list of interLATA services offered by the BOC and discuss list with appropriate BOC employees to determine whether the list is comprehensive. Compare services appearing on the list with interLATA services disclosed in the BOC's Cost Allocation Manual (CAM) and note any differences. Compare the nonregulated interLATA services listed in the BOC's CAM with those defined as incidental in Section 271(g) of the Act and those interLATA services allowed under FCC order (for example E911) and note any differences.

5. Obtain a statement of revenue, by month, from interLATA services provided by the BOC itself, for the first nine months of the engagement period, and perform a trend analysis. If increases of more than 10% are noted from month to month, inquire and note reasons for such increase.

6. From the list of services obtained in Procedure 4 above, by using a statistically valid sample of interLATA services offered by the BOC and not through an affiliate, determine whether the BOC is imputing (charging) to itself an amount

for access, switching, and transport. Obtain usage details and tariffed rates for each of the above elements. Match rates used in calculations with the tariffed rates or those rates charged other interexchange carriers (IXCs) and note any differences. Trace amount to the journal entry and to the general ledger of the BOC. The entry should be a debit to nonregulated operating revenues (decrease) and a credit to regulated revenues (increase). If the process followed by the BOC is different from the one described above, please describe it in detail and obtain full documentation.

7. For each of the following categories of services, viz., exchange access services, local exchange services, and unbundled network elements, provided by the BOC to the Section 272 affiliate during the first nine months of operations, document the total amount the affiliate has recorded for those services in its books and reconcile with the amount the affiliate paid to the BOC and the amount of revenue reflected in the BOC's books for those services.

OBJECTIVE XI. **Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have provided any interLATA facilities or services to its interLATA affiliate and made available such services or facilities to all carriers at the same rates and on the same terms and conditions, and allocated the associated costs appropriately.**

STANDARDS

Valuation and recording procedures for sales or transfers of any interLATA or intraLATA facilities to each Section 272 affiliate, leasing of any unbundled network elements, or provision of any service by the BOC to each Section 272 affiliate are covered in Objectives V and VI of this program, under the affiliate transactions rules.

BOC network services and unbundled network elements made available under Section 251 to each Section 272 affiliate must also be made available at the same price to unaffiliated companies. (CC Docket No. 96-149, First Report and Order, para. 256)

PROCEDURES: This objective is closely related to Objective IX which contains procedures for the provision by the BOC of exchange access services. Therefore, these procedures may be performed in conjunction with the procedures for Objective IX.

1. Obtain from the BOC a list of all complaints from competitors related to the provision or procurement of goods, services, facilities, and information, or in the establishment of standards which were filed during the first nine months of the engagement period. This list should group the complaints in the following categories:

    - allegations of cross-subsidies (for Objectives V and VI);

    - allegations of discriminatory provision or procurement of goods, services, facilities, customer network services information (excludes customer proprietary network information (CPNI)), or the establishment of standards (for Objective VII);

    - allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (for Objective VIII);

- allegations of discriminatory availability of exchange access facilities (for Objective IX);

- allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI).

For each group of complaints, determine by inquiry and documentation how many of these complaints were under investigation, how many complaints had been resolved and in what time frame they had been resolved, if feasible. For those complaints that had been resolved, document how those allegations were concluded and, if the complaint was upheld, inquire and document what steps the company has taken to prevent those practices from recurring.

2. Obtain list of interLATA network services and facilities with their related rates offered by the BOC to each Section 272 affiliate to determine whether the BOC makes these services and facilities available at the same rates, terms, and conditions to all carriers. For this purpose, inspect brochures, advertisements of any kind, bill inserts, correspondence, or any other media used to inform carriers of the availability of these services. Using a statistically valid sample compare rates, terms, and conditions offered each Section 272 affiliate with the rates offered unaffiliated carriers.

3. Obtain invoices for interLATA network services and facilities for one month (to be determined by the Oversight Team) rendered by the BOC to the Section 272 affiliate and other interexchange carriers (IXCs) that receive these services from the BOC. Using a statistically valid sample of billed items, inspect underlying details of invoice and compare rates, terms, and conditions charged each Section 272 affiliate with those charged other IXCs for the same services and note any differences. If differences are noted, pursue the matter further through inquiry of appropriate personnel and note why they occurred.

4. Using the invoices obtained in Procedure 3 above, trace the amount invoiced to each Section 272 affiliate for interLATA facilities and services and determine whether the amount invoiced was the amount recorded by the BOC and paid by each Section 272 affiliate. For this purpose, identify and inspect method of payment such as cancelled checks, wire transfers, and, if needed, summaries of invoiced amounts

corresponding to the amount paid. Note any differences and inquire as to why they occurred.

Docket No. TC 01-
Qwest Corporation
Exhibits to the Affidavit of Marie E. Schwartz
Section 272
Exhibit MES-272-15
October 24, 2001

ANNUAL CODE OF CONDUCT TRAINING

1801 California Street
Denver, Colorado 80202

Qwest ride the light

Code of Conduct

The issuance of this Code does not represent an employment contract and creates no contractual rights between Qwest and employees. Unless covered by a collective bargaining agreement, employment with Qwest is at-will which means that either the employee or Qwest may terminate the relationship at any time, with or without cause.

Nothing in this Code, any Corporate Policies, or other communications by Qwest creates an employment contract or term of employment or any promise of specific treatment upon which an employee can rely.

Qwest reserves the right to change or modify this Code and associated policies for any reason, at any time, with or without advance notice.

Contents

Dear Colleague:

As we work together at Qwest to change the way the world communicates, we have exciting new opportunities in a dynamic and competitive global marketplace. Amidst the change, one thing that must remain constant is our uncompromising commitment to act with integrity and to conduct business according to the highest ethical standards.

The trust and confidence of our customers, shareowners and employees remain our most valued assets and our reputation for honesty and integrity depends on the individual decisions we make every day.

That is why this Code of Conduct is so important.

- The Code emphasizes our commitment to executing work with excellence.
- It links our vision, business priorities and standards of conduct.
- The Code recognizes that we are faced with difficult decisions in a rapidly changing industry, and provides a framework and resources to help us make the right legal and ethical choices.

Please review this booklet carefully, ask questions to clarify how the Code relates to your job and report known or suspected violations. Let the Code serve as a guide to your conduct in meeting customer and shareowner expectations.

Sincerely,

Joseph P. Nacchio
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Our Vision and Character

Our vision is to build shareowner value by becoming the market leader for worldwide broadband Internet communications and application services.

- We put the customer first. At Qwest, customer service is our top priority. We are measured by customer standards.
- We are committed to creating shareowner value through growth, continued execution with excellence and speed to market.
- We are a team of innovators, demonstrated by our leading-edge technologies and our visionary approach to serving customers. We are results driven and accountable for our performance.
- We work hard, smart and fast to deliver innovative products and services.
- We demonstrate teamwork, flexibility, commitment, discipline and professionalism, leading by example through our words and actions.
- We are committed to open, honest and candid communication with all employees.
- We act with integrity. We conduct business safely and according to the highest standards of legal and ethical conduct, believing our reputation is key to our success.

About the Code of Conduct

You must read and use the Code to help ensure that business decisions follow our commitment to ethics, our policies, and the law. Adherence to the Code and policies is essential to enhancing our ethical reputation among customers, shareowners, and employees.

The Code and policies are a guide to legal and ethical conduct at Qwest.

- Review this entire booklet. Think about how the Code and policies relate to your job and consider how you might handle situations to avoid illegal, improper, or unethical actions.

- If you have questions, ask your supervisor, Human Resources representative, Legal Affairs or the Corporate Compliance Advice Line (800-333-8938).

- The Code applies worldwide to all employees and others who represent or act on our behalf.

- Review the corporate policies that are applicable to you and your job. Understand what they require of you and where to ask for assistance.

Employees who violate this Code and corporate policies may be subject to disciplinary action – up to and including termination of employment.

Make Ethical Decisions

A law or policy will sometimes dictate the required conduct to make an appropriate decision. More often, you must interpret the situation, seek advice and make ethical choices.

When facing a situation, ask these questions.

- Are there laws and regulations to consider?

- Does the decision comply with Qwest policy and this Code?

- How does this decision affect you and others (customers, shareowners, suppliers, partners, competitors, Qwest, and other employees)?

- How does the decision look to others? Even an innocent action can have the appearance of wrongdoing.

- How would it look if this decision were made public? Could it be explained?

- What implications will arise from this decision? Would additional advice be helpful? Your supervisor is usually in the best position to help. Contact the Corporate Compliance Advice Line if you need additional assistance.

Report Violations

You are expected to recognize and report actual or potential problems and seek advice when you have a question. If you observe or suspect a violation of the law, the Code or Qwest policies, report it to your manager, or to the Corporate Compliance Advice Line (800-333-8938). Qwest investigates reports of suspected violations. Employees who, in good faith, report suspected violations, will not be subject to disciplinary action.

You may make anonymous reports. We will attempt to keep your name confidential if you make anonymous reports. However, if we determine that we should reveal an employee's identity to enforce this Code or to comply with applicable law or judicial process, we will do so.

You must cooperate in investigations of alleged violations of this Code and other corporate policies.

You are responsible if you violate the Code even if you report the violation.

We may discipline managers who condone, permit, or fail to take appropriate action against the illegal, unethical or improper conduct of others.

Maintain a Professional Work Environment

Qwest values the unique contributions of each individual employee. We trust that as valuable members of the Qwest team everyone will treat one another with courtesy, respect and dignity. Managers at Qwest maintain an "open door" policy regarding employee questions. You are responsible for maintaining a professional and productive work environment and should bring questions and concerns to your manager.

NON-DISCRIMINATION

Qwest supports equal employment opportunity and complies with affirmative action requirements. Do not discriminate or harass on the basis of race, gender, age, sexual orientation, religion, national origin, disability or covered veteran status. You are responsible for promoting a workplace free of unlawful discrimination and harassment.

SEXUAL HARASSMENT

Sexual harassment is illegal and strictly prohibited. Sexual harassment can include unwelcome sexual advances, requests for sexual favors, unsolicited physical contact, unwelcome flirtations, offensive verbal, visual or physical conduct of a sexual nature, suggestive or lewd remarks, unwanted hugs or touches, offensive jokes or emails, pornography and sexually explicit material.

Sexual harassment can manifest itself in subtle ways. Actions made without any intention to harass may upset or offend others. Even conduct that does not rise to the level of unlawful sexual harassment may violate Qwest policy and be grounds for discipline.

Keep in Mind

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Avoid Conflicts of Interest

Always act in the best interests of Qwest and safeguard our reputation from any conflicts of interest or even the appearance of a conflict. Avoid any investment, outside association, or activity that may cause others to doubt your judgment or integrity, or that interferes with your ability to perform job duties objectively and effectively.

EMPLOYMENT OF RELATIVES

You may not supervise relatives or exercise direct or indirect influence over other employment decisions involving your relatives.

OUTSIDE INTERESTS

If you or members of your family have financial interests in a competitor's or supplier's firm, you must not allow these interests to impact your ability to make impartial decisions on behalf of Qwest.

You must obtain advance approval from Legal Affairs if you plan to serve on an outside board (for-profit, non-profit, technical advisory). Report all time spent on outside board activities as personal or vacation.

If you hold a job outside of Qwest, it must not interfere with your ability to make decisions in the company's best interest or to perform your duties on behalf of Qwest during required business hours. Employment by a supplier or competitor is a conflict of interest and is not allowed unless approved by Corporate Compliance.

An employee's direct investment in stock, warrants or options issued by any other company may create a conflict of interest if the other company has a commercial or equity relationship with Qwest. To avoid a conflict of interest, Legal Affairs must approve, in advance, all direct investments, including "friends and family" programs.

You must notify your supervisor and Corporate Compliance prior to seeking or being appointed to public office.

Keep in Mind

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- [illegible]
- [illegible]

Giving and Accepting Business Courtesies

Your interests conflict with those of Qwest when you use your position (directly or indirectly) for private gain, to advance personal interests or to obtain favors. If you are in a position to make or influence a decision regarding a business transaction between Qwest and a third party, you must not accept anything of substantial value from that party.

Avoid giving or accepting any item, including cash or its equivalent, that could be construed as a bribe or kickback, or that could give the appearance of trying to influence business judgment.

The reasonable and infrequent offer or acceptance of refreshments, meals or entertainment in connection with business discussions is an acceptable business practice if consistent with departmental procedures, business expense guidelines, and if properly approved.

Unique laws apply to government officials and employees. Understand applicable regulations when doing business with government agents or employees. Use good judgment in offering meals and other courtesies to public officials. In some instances this is prohibited by law. For more information, contact Policy and Law or Corporate Compliance. If you conduct business internationally, understand and obey all applicable laws and regulations, including the Foreign Corrupt Practices Act.

INSIDER TRADING

Federal law prohibits all employees and others from buying or selling Qwest securities (and those of other companies under certain conditions) based on information not publicly available that could affect the price of the securities. Do not disclose or use for your personal gain non-public information acquired by reason of your relationship with Qwest.

Such information includes: financial forecasts or results, product information, contracts, marketing plans, proposed acquisitions or divestitures, and strategic plans or information about significant changes or developments at Qwest or a company that does or has done business with Qwest.

Do not trade Qwest stock during "no trade" periods, if you have been notified that you are subject to this restriction.

KEEP IN MIND

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Safeguard Our Employees and Our Assets

You must protect Qwest's assets, safeguarding them against loss, damage, misuse or theft. Failure to do so has a direct impact on Qwest's profitability and ultimately on all of our jobs.

Assets include, but are not limited to: employees, facilities, property, equipment, computers, furnishings, tools, supplies, funds, time, communication systems, records (regardless of format — paper and electronic), information, trademarks, copyrights, patents, trade secrets and other intellectual property.

Use Qwest assets only for legitimate business purposes. Do not access company information or use Qwest assets for personal reasons. Qwest may inspect, disclose and exercise control over any and all of its documents, communications systems, equipment, facilities and other property at any time, with or without notice.

ENVIRONMENTAL HEALTH AND SAFETY

Environmental Protection: Qwest commits to protect the environment through initiatives to reduce the demands/impacts of our business on natural resources and the environment. We also promote various customer services that offer environmentally friendly alternatives to transporting people and goods.

You share the responsibility for making environmentally responsible decisions. Our environmental policies help you perform your job in an environmentally responsible manner and in compliance with applicable laws/regulations. You must report environmental hazards to your manager, who will take corrective action as necessary after consulting with Environmental Health and Safety (EHS).

Safety and Health: Qwest commits to providing you with a safe and healthful workplace free of recognized hazards. Meeting this commitment is a responsibility shared by Qwest and each of its employees.

We provide job-specific training, tools and resources to facilitate compliance with workplace safety and health laws/regulations and we expect employees to follow applicable safety practices. Managers are responsible for ensuring employees receive required safety training and for enforcing all applicable safety policies and procedures in the workplace.

We are required to report and record all work-related accidents. Accordingly, you must report work-related accidents immediately to your manager. Work-related accidents must also be reported to [illegible] EHS [illegible]. Managers are also required to investigate all accidents. EHS is available to assist with accident investigations. In all cases, managers must contact EHS prior to beginning an investigation involving a fatality or serious third party liability.

Unsafe conditions must also be reported to your manager. If an unsafe condition exists, managers must provide necessary resources to correct the situation as soon as possible. EHS is available to assist in the evaluation of these situations and to provide guidance in correcting unsafe conditions.

Keep in Mind

* [illegible]
* [illegible]
* [illegible]
* [illegible]
* [illegible] **Do NOT allow [illegible] before contacting EHS.**
* [illegible]

Workplace Violence To preserve employee safety and security, we forbid carrying firearms, ammunition, explosives, incendiary devices, and cases/holsters or sheaths for weapons on company property, in company vehicles, in the workplace or while acting in a business capacity. Additionally, we will not tolerate acts or threats of violence or threatening language — verbal, written or visual — gestures, and behavior.

Report behavior that threatens the safety of employees or property or has the potential to become violent to Security (800-879-7328), your supervisor, Human Resources representative or the Corporate Compliance Advice Line (800-333-6999).

Off-Duty Misconduct Off-duty misconduct may adversely affect workplace safety, your fitness for duty, or Qwest's corporate image. Managers must report any known arrest or conviction of any employee for a felony, misdemeanor or any other criminal offense to the Corporate Compliance Advice Line (800-333-6999). Employees who are in safety sensitive positions or who operate motor vehicles or aircraft must immediately report certain traffic tickets and violations to their supervisors.

Background Verification Qwest may conduct background verifications for any reason, at any time. Depending on the circumstances, employment, transfer or promotion may be terminated based on the information obtained.

Drug and Alcohol Use The trust and confidence of our customers and shareowners, as well as the health and safety of our employees, depend on a workplace free from the effects of substance abuse. The misuse of drugs or alcohol negatively affects productivity, attendance and on-the-job safety. You are forbidden to sell, distribute, manufacture, dispense, possess, transfer or use illegal drugs or controlled substances during the work day, on company time, or on Qwest premises. You must not possess or use alcohol when working in a safety sensitive position. Illegal drugs, controlled substances and alcohol are prohibited in company vehicles. Alcohol may not be served or consumed on company premises without pre-approval from a company officer. When alcohol is served at social events attended in the course and scope of employment, employees who choose to consume alcohol must do so responsibly.

Employees unfit to work due to the effects of alcohol or drugs are subject to disciplinary action up to and including termination from employment. We reserve the right to conduct drug and alcohol search and screening procedures consistent with applicable laws. Breathalyzers or any other alcohol or substance abuse monitoring or ignition interlock device shall not be installed in any vehicle used for company business.

PHYSICAL PROPERTY AND SECURITY

ACCESS CONTROL You must comply with the level of access control (including display of ID badges) implemented at the facility or building where you work. Allow only authorized visitors in the workplace and escort visitors throughout Qwest facilities.

PERSONAL BELONGINGS You are responsible for any personal belongings or valuables brought to the workplace. We assume no responsibility or liability for the loss of personal belongings. Qwest reserves the right to inspect any items of personal property brought to the workplace including bags, cases, parcels, or automobiles.

COMMUNICATION SYSTEMS Our communication systems are provided for business use. Exceptions for personal use require supervisory approval and must be consistent with company policies. Communication systems include but are not limited to computers, telephones, video conference equipment and facilities, faxes, voice mail systems, Internet, intranet, e-mail, hard drives, disks and mail delivery systems.

You must prevent misuse of Qwest equipment and systems and must take precautions to protect them (e.g., password protection and anti-virus software).

Do not install or use unauthorized software with Qwest computer equipment. Duplication of licensed software is prohibited unless specifically authorized in a written vendor licensing agreement. Violations may lead to action against individuals and the company.

We will report to authorities any unlawful access, transmission, or known storage of illegal information through a Qwest communication system.

Qwest communication systems are Qwest property and are not private. You do not have a personal privacy right in any material created, stored, received or sent through a Qwest communication system (including computers, telephones, hard drives, disks, etc.).

By using Qwest communication systems, you consent to Qwest's monitoring these systems and acknowledge and agree to Qwest's right to conduct such monitoring. Qwest in its sole discretion reserves the right to access, monitor, copy, intercept, forward, download, delete, capture and/or disclose all communications sent via any Qwest communication system, at any time, with or without prior notice.

Keep in Mind

- [illegible]
- [illegible]

INTELLECTUAL PROPERTY AND INFORMATION

Intellectual Property Our trade secrets often result from a significant investment of Qwest resources. Intellectual property is an important asset that helps give us competitive advantage and, therefore, must be protected. Examples of intellectual property include the Qwest name, logo, trademarks, copyrights, patents, software, confidential information, ideas, inventions, discoveries, research, plans and strategies.

You must take measures to protect Qwest's intellectual property and to avoid infringing on the intellectual property rights of others. Refer any misuse or infringement of Qwest intellectual property to Legal Affairs.

Copyrightable works by Qwest must contain appropriate copyright notices and be protected against unauthorized copying or distribution.

Provide to Legal Affairs new product names and other trademarks or new product ideas that may be patentable.

Confidential Information You must safeguard all confidential information. Use the information for Qwest business only. Disclose it only to those people with a legitimate need to know. Do not discuss it with people outside Qwest, including family, and do not use it for personal gain. Do not leave confidential records out where they can be easily read by others.

Improper disclosure or receipt of confidential information can expose Qwest to liability and the loss of intellectual property rights. In conducting business, do not ask for information to which you are not entitled and do not disclose information that must remain private. Make sure that you understand and comply with the special rules regarding customer proprietary network information.

Company Records The law requires Qwest's books and records to accurately reflect transactions. Falsifying company records, including financial records, employment, equipment installation and maintenance reports, sales transactions, product tests, permits/licenses, contracts, expense records, service records, payroll and timer reports, approvals and authorizations is a serious offense that can lead to termination.

Personnel Records Access to personnel records is limited and must be obtained through Human Resources. Employee information is the exclusive property of Qwest and is confidential.

Keep in Mind

- [illegible]
- [illegible]
- [illegible]
- [illegible]

Disclosing Information to the Public To conform with securities laws and antifraud requirements and to make accurate and timely disclosures about the company, Qwest has designated spokespersons who are the only personnel authorized to disclose information about Qwest to the public. Any contact with the media or the financial and investment communities must be directed to Corporate Communications. Any invitation to speak to outside groups must be forwarded to Corporate Communications for review and approval. The posting of any information to an Internet chat room is a violation of Qwest policy.

Our Relationships with Others

OUR CUSTOMERS

Qwest provides services that reach into the personal and professional lives of our customers. They have entrusted us with their account information and communications data. Maintaining the privacy of customer information and communications is a serious responsibility. Our ability to attract and retain customers hinges on the manner in which we protect their information and communications. You must comply with the standards that have been developed for the care and safeguarding of customer information. Questions should be directed to FCC/Regulatory Compliance.

- Accessing Customer Records — Access customer accounts, records and reports only for authorized business purposes.

- Customer Communications — Customer communications (data and voice) are confidential. Never tamper with, record, listen to or divulge any customer communications, except when required in the proper management of the business or when required by law.

- Customer Information — We possess certain customer information that is subject to special protection under federal law/regulations (Telecommunications Act, Cable Act, FCC and Customer Proprietary Network Information requirements). Our customers may request that we restrict our use of the information. Also, customers have the right to direct us to provide information to other parties, including our competitors. We are obligated to comply with these requests to the extent required by law.

- Sales and Marketing — While we intend to aggressively market and sell our products and services, we must do so within the confines of the law. You must not engage in illegal or unethical activities to obtain business. You must accurately represent Qwest products and services.

- Unlawful Use of Qwest Services — If you suspect a customer is using Qwest services for unlawful purposes, you should report it immediately to Security.

OUR COMPETITORS

Compliance with antitrust and unfair competition laws is very important to us. Because of the complexity of these laws, you should seek advice from Legal Affairs if you have questions.

The following guidelines will help you avoid violations of antitrust and unfair competition laws.

- Do not directly or indirectly enter into agreements that might limit competition or restrain trade. This would include price fixing, bid rigging, allocating markets or customers and boycotting. Never discuss or even listen to discussions of this nature with competitors.

- Do not make false, misleading or disparaging remarks about individuals, their organizations or their products and services. Instead, focus on the quality and value of our products and services.

- Customers who are also competitors (e.g., carriers and interconnectors) must not be disadvantaged in the levels of service we provide to them. For example, Qwest may not improperly use wholesale customers' customer proprietary network information.

Gather information about the marketplace and our competition using only lawful and ethical methods (e.g., publicly available information, industry gatherings, research, surveys and product analysis).

Never steal or unlawfully use information, material, products, intellectual property or proprietary and confidential information of others. Doing so could constitute unethical or even illegal industrial espionage.

Likewise, you must always take steps to protect our operations from espionage or sabotage. Any attempt by others to gather or secure competitive information owned by Qwest must be immediately reported to Security or Legal Affairs.

Keep in Mind

Never use [illegible]

- *[illegible]*

- *Misrepresentation or deception*

- *Dumpster diving or searching [illegible]*

- *Hiring or surveying employees for the purpose of obtaining proprietary [illegible] belonging to their former employer*

OUR SUPPLIERS

We do business with suppliers, contractors and consultants who demonstrate high principles of ethical business behavior and provide the best overall value for us.

We have detailed guidelines for the procurement of products and services. You must become familiar with and adhere to these guidelines (including the established approval and authority levels).

If you have a personal or family relationship or a financial interest in a supplier, you must take steps to ensure that decisions affecting those suppliers are based solely on objective input and judgment.

Do not accept gifts or business courtesies of substantial value from suppliers. Reasonable and infrequent acceptance of meals, refreshments or entertainment in connection with business may be appropriate. For additional information contact Procurement.

Government Relations

Our interactions with government personnel are important to our continued success, whether they are customers to us or serving in other official capacities. We have a special obligation to know the laws, regulations and ethical standards of the various branches of federal, state and local governments.

GOVERNMENT RELATIONS AND BUSINESS DEALINGS

Contracting with a federal, state or local government is a unique part of our business. When we contract with a government, we are in effect contracting with the public. This places us in a position of trust, with special opportunities and special responsibilities. Always avoid activities that may be perceived as attempts to improperly influence government agencies, officials and employees.

You must not authorize, offer, provide, accept, deliver or solicit any payments, gratuities or favors (either directly or indirectly) for purposes of influencing any government official or employee. This may be illegal. Additional rules may apply internationally.

As a supplier to the government, we sometimes have responsibility for working with highly sensitive information. This information is often classified and essential to our national security. Proper treatment and protection of such information must be a high priority. In certain situations, security clearances are required to obtain information or provide services on a government contract.

Federal and state laws govern the hiring of former government employees and procurement officials. Legal Affairs must approve any discussions of employment with government employees.

We regularly provide information and share opinions with government officials and candidates for elective office. If you represent Qwest in this capacity, you must do so within all appropriate business conduct and legal boundaries. Policy and Law is responsible for retaining and managing consultants performing legal work, lobbying services, legislative/regulatory consulting or witness services on behalf of Qwest. All information and reports provided to the government must be accurate and complete. It is absolutely essential that proper procedures be followed in recording costs and charges to the government.

Keep in Mind

- *Any prospective [illegible] [illegible] must be approved by [illegible]*
- *Contact Policy and Law for information [illegible] compliance requirements for dealing with government employees [illegible]*

POLITICAL CONTRIBUTIONS AND ACTIVITIES

We encourage employees to participate in the political affairs of their communities and country on an individual basis, on their own time and at their own expense.

You are not authorized to make direct or indirect political contributions of any kind on behalf of Qwest.

Qwest has established various Political Action Committees (PACs). PACs are voluntary, non-profit, independent organizations which may accept contributions and make expenditures for electing candidates for public office, consistent with applicable laws and regulations. You may, where eligible, make contributions to a Qwest-sponsored PAC. We will make contributions only from accounts and through procedures that are allowed by law.

When you speak out on public issues, make sure you do so as an individual, unless specifically authorized to do otherwise. When speaking as an individual, you must not give the impression you are speaking or acting on Qwest's behalf.

If you run for public office, serve as a public official or campaign for a political candidate, you cannot be paid by Qwest for any time spent in these activities, unless otherwise approved and allowed by law.

GOVERNMENT INVESTIGATIONS

We cooperate with appropriate government investigations into possible violations of the law. In this context, however, it is important to protect Qwest's property and legal rights.

If served with a subpoena or search warrant, immediately contact Legal Affairs or EHS (for safety or environmental issues).

Any time you are approached by someone claiming to be a government investigator, you should contact Legal Affairs before answering any questions or providing any information or records. Non-supervisory employees are not required to make these contacts before speaking with government investigators about employment, labor or safety issues, but are invited to do so since we have internal mechanisms to deal with such concerns.

Records are the property of Qwest (regardless of who creates, keeps or updates them) and must not be produced for government investigations without contacting Legal Affairs.

AFFILIATE RELATIONSHIPS

State and federal regulatory requirements govern the relationship and business transactions between the various affiliates of Qwest

These requirements cover

- Asset transfers
- Provision of products and services
- Allocation of costs between regulated and unregulated entities
- Information flow between entities
- Technology compensation
- Affiliate restructuring

The rules are often complex and may create special requirements for record keeping, reporting and regulatory approvals

Contact Legal Affairs or Regulatory Accounting for questions regarding the relationships or business dealings between Qwest affiliates

SERVICE OF LEGAL DOCUMENTS

We must respond to properly served legal documents in a timely manner Failure to respond appropriately can have severe negative consequences If you receive an inquiry regarding the service of a legal document, you must advise the server that you are not authorized to accept the legal document, and then you must refer the server to Legal Affairs. Legal Affairs is responsible for authorizing receipt of service of legal documents and retaining outside legal counsel If you are served at home, on the job or in the mail with legal documents relating to Qwest activity immediately contact and forward the documents to Legal Affairs.

International Business

As a responsible member of the international business community, we provide quality products and services at fair prices and we compete on the merits of our products and services, not on favors. Our commitment to fair competition includes avoiding corrupt business practices and keeping accurate business records that help prevent such practices.

We recognize that in some international markets we will encounter laws, customs and cultural practices that differ from those of the U.S. We will comply with all applicable U.S. regulations and restrictions in dealing with other countries, as well as foreign laws and restrictions that apply in those countries

The laws governing international business are comprehensive and involve corrupt business practice prohibitions, export controls, trade sanctions and anti-boycott requirements. These laws are often complex and subject to change. Consult with Legal Affairs for questions on international business dealings

FOREIGN CORRUPT PRACTICES ACT

Under the Foreign Corrupt Practices Act (FCPA), our status as a publicly held corporation requires that we establish internal accounting controls and conform to generally accepted accounting principles in all operations worldwide. All payments, transactions and accounts must be accurately and truthfully recorded and reported

The Foreign Corrupt Practices Act also prohibits us (and our employees and agents) from directly or indirectly offering, promising to pay, or authorizing the payment of money or anything of value to foreign government officials, political parties or candidates for the purpose of influencing their acts or decisions

Failure to comply with the FCPA can result in substantial penalties for both individuals and corporations. This can include fines, imprisonment and loss of government supplier privileges.

EXPORT CONTROLS AND INTERNATIONAL BOYCOTTS

Several U.S. laws restrict trade with certain countries. Other laws restrict export of certain technologies (including products, services, data and knowledge). Our operations worldwide must comply with U.S. export restrictions. Employees who are uncertain of the legal trade status of any country or technology should contact Legal Affairs

You may not cooperate in any way with unsanctioned foreign boycotts of countries friendly to the U.S. Any request for information or action that seems to be related to any illegal boycott must be reported immediately to Legal Affairs.

Resources

Corporate Compliance has overall responsibility for the implementation of the Code of Conduct and all corporate policies. Employees are accountable for knowing and abiding by the corporate policies and this Code. You are expected to review and become familiar with the corporate policies.

The Code and policies may be found at the Corporate Compliance intranet site on The Q under departments.

The following resources are also available if you have questions about Qwest standards and policies:

Corporate Compliance Advice Line 1-800-333-8938

Conflict of Interest Issues	1-800-333-8938
Corporate Communications - Media Inquiries	303-992-2155
Public Speaking Requests	303-965-3007
Disaster Recovery Hotline	1-800-204-8540
Environmental Health and Safety Issues	303-672-2925
FCC/Regulatory Compliance	402-422-7689
Human Resources	303-992-3184
Legal Affairs	303-672-2756
Policy and Law	303-896-3040
Procurement	1-877-311-5141
Records Management	303-672-2802
Regulatory Accounting	303-896-5997
Security	1-888-879-7328
UNIcall (Reporting claims and EHS assistance)	1-800-654-2525

Index and References

NOTE: THE CODE OF CONDUCT AND ALL THE POLICIES LISTED BELOW CAN BE FOUND AT THE CORPORATE COMPLIANCE INTRANET SITE.

SECTION 272 EMPLOYEE TRAINING

CONTINUATION

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Conducting Business After Long Distance Re-Entry

Section 272 Compliance

Employee Obligations and the Telecommunications Act

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Employee Obligations

- Every Qwest employee is expected to understand Section 272 requirements
- What should you do if you have questions about Section 272?
  - Refer them to your supervisor, or
  - Contact your FCC/Regulatory Compliance Manager

    FCC/Regulatory Compliance Managers may be found at:

Telecommunications Act of 1996

- Prior to 1996, the Regional Bell Operating Companies (RBOC) like Qwest Corporation (QC) were prohibited from providing interLATA services within their service territories
- The 1996 Telecommunications Act (Act) allows an RBOC to provide interLATA services within its region once certain requirements are met
- Requirements are primarily outlined in Section 271 and Section 272 of the Act

Definitions

- Qwest Communications International Inc.: the publicly-traded parent company of all Qwest affiliates

- Qwest Corporation (QC): formerly known as U S WEST Communications, Inc., QC is the"pre-merger U S WEST" incumbent local exchange carrier and Regional Bell Operating Company (RBOC)

- Qwest Communications Corporation (QCC): the "pre-merger Qwest" operating company and separate 272 affiliate of QC through which Qwest will ultimately provide in-region, interLATA services upon receipt of 271 relief

Section 271 Overview

- Defines requirements QC must meet to show that the local market is open to competition so that it can enter the in-region, interLATA long distance market

- Contains 4 key provisions plus audit requirements

  1. Competitive checklist - also know as the "14-point checklist"

  2. Interconnection agreements or Statement of Generally Available Terms and Conditions (SGAT)

  3. Section 272 affiliate to provide in-region, interLATA long distance service

  4. Public interest showing that demonstrates QC has opened its local markets to competition

Section 272 Requirements

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- Qwest Communications International Inc. must create a separate affiliate and properly operate the separate affiliate in order to be permitted to offer in-region, interLATA long distance service:
  - Section 272 (a) - Separate Affiliate
  - Section 272 (b) - Structural and Transactional
  - Section 272 (c) - Nondiscrimination
  - Section 272 (d) - Biennial Audit
  - Section 272 (e) - Fulfillment of Certain Requests
  - Section 272 (f) - Sunset Rules
  - Section 272 (g) - Joint Marketing Provisions
- Section 272 defines the separate affiliate structure and business relationship between QC and QCC, which is known as the Section 272 or long distance subsidiary

Section 272 Requirements

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272(a) - Separate Affiliate

- QC may only offer in-region, interLATA long distance service through a separate affiliate

272(b) - Structural and Transactional

- This section is a critical component of Section 272
  - Assures competitors that QC and QCC are operating independently and QCC is not receiving preferential treatment that would give it an unfair advantage in the market
- 5 key provisions must be demonstrated to show separateness
  - Operate independently
  - Separate books, records, and accounts
  - Separate officers, directors, and employees
  - Creditors of QCC may not have recourse to QC assets
  - Transactions at arm's length, reduced to writing, and posted on the Internet

Section 272 Requirements

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272(b)(1) - Operate Independently

- QC and QCC cannot jointly own network facilities, or the land or buildings where those facilities are placed
  - No transfer of any network facilities from QC to QCC
  - No operation, installation, or maintenance (OI&M) of QC's facilities by QCC
  - No OI&M on QCC facilities by QC or any other Qwest affiliate
- QC cannot provide discriminatory access to network service

272(b)(2) - Separate Books, Records, and Accounts

- QCC must maintain books, records, and accounts separate from the books, records, and accounts of QC

Section 272 Requirements

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272(b)(3) - Separate Officers, Directors, and Employees

- QC and QCC cannot share officers, directors, or employees
- Employees who perform functions supporting QCC are required to report their time so that QCC can be billed appropriately

272(b)(4) - Creditors of QCC may not have recourse to QC Assets

- QCC cannot obtain credit under any arrangement that would permit a creditor to have recourse to QC's assets

- QCC's obligations are not co-signed by QC; nor are they co-signed by Qwest Communications International Inc. in a manner that would allow recourse to the assets of QC

Section 272 Requirements

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Qwest

272 (b)(5) - Transactions at Arm's Length, Reduced to Writing, and Posted on the Internet

- All transactions between QC and QCC must be reduced to writing
  - Transactions are documented by tariff, stand-alone agreement, or service agreements
- All transactions between QC and QCC must be posted to the Internet within 10 days by Regulatory Accounting
- Rates, terms, and conditions of every transaction must be publicly available to ensure accounting safeguards are maintained

**If you are a QC employee providing service to QCC,
or a QCC employee providing service to QC,
make sure Regulatory Accounting is involved.**

Section 272 Requirements

272(c) - Nondiscrimination

- QC must provide the goods, services, facilities, and information it provides to QCC to other long distance carriers at the same rates, terms, and conditions

- How does QC and QCC demonstrate compliance with Section 272(c)?
  - QCC must obtain information and services through the same QC processes as other interexchange carriers
  - QCC must obtain other services through a QC carrier account team in the same manner as other interexchange carriers
  - QC must post transactions between QC and QCC on its Internet site

Generally, QC employees must treat
Qwest Communications Corp like any other long distance carrier.

Section 272 Requirements

ride the light
Qwest

272(d) - Biennial Audit

- Section 272 requirements will be audited every two years beginning twelve months after Section 271 authority is obtained and QCC is providing in-region, interLATA long distance services

272(e) - Fulfillment of Certain Requests

- QC is prohibited from providing any facilities, services, or information concerning its provision of exchange access to QCC unless such facilities, services, or information are made available to other providers of interLATA services under the same terms and conditions

Section 272 Requirements

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Qwest.

272 (f) Sunset Provision

- The provisions of Section 272 (other than subsection (e)) shall cease to apply three years after the date that QC or QCC is authorized to provide interLATA services, unless the FCC provides an extension

272(g) - Joint Marketing Provisions

- Provides one clear exception to Section 272(c) nondiscrimination requirements
  - Once Section 271 authority is secured, QC may jointly market in-region, interLATA long distance services with QCC
- Like all transactions, QC must document joint marketing agreements and post them to the Internet within 10 days

What does Section 272 mean to me?

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Qwest

- You must understand which legal entity you work for. Is it QC, QCC or another Qwest affiliate?
- If you are providing service to another entity, you must make sure Regulatory Accounting is involved so the transaction can be recorded under FCC rules
- If you are a QC employee, you must generally treat QCC like any other long distance carrier
- If you are a network employee, you must understand joint network and OI&M restrictions
- If you have questions, contact your supervisor or FCC/Regulatory Compliance Manager
- If you still have have questions after talking to your supervisor or FCC/Regulatory Compliance Manager, you may:
  - Send email questions to "   "
  - Section 272 Affiliate Transactions web site at
  - Corporate Compliance Advice Line 800-333-8938

TARGETED WHOLESALE DEPARTMENT TRAINING

Conducting Business with Qwest Communications Corporation

Section 272 Compliance for Qwest Corporation Wholesale Employees

Employee Obligations

ride the light

Qwest

Employee Obligations

- Please ensure that you have first read the 272 overview package, Conducting Business after Long Distance Re-Entry, found at: http://theq.qwest.net/Departments/legal/training/272training.pdf

What does all this mean to me as a Qwest Corporation Wholesale employee?

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Qwest

- Qwest Corporation (QC) is prohibited from discriminating between Qwest Communications Corporation (QCC) and any other entity in the provision or procurement of goods, services, facilities, and information, or in the establishment of standards. With the exception of joint marketing activities, all permitted services provided to QCC must be made available to any other non-Qwest entity under the same terms, conditions and price as provided to QCC.
  - When QCC identifies a need for products, services and information from QC, QCC must submit that request via a formal review process to ensure compliance with the nondiscrimination obligations
  - When other carriers request goods, services, facilities, or information from QC, those requests must be submitted via another review process to determine if similar requests have been granted to QCC. If so, these same goods, services, facilities, and information must be made available to other carriers under the same terms and conditions.

Qwest Communications Corporation Request Process

Qwest

1. QCC will complete a "Qwest Communications Corporation Request for Affiliate Provided Products/Services/Information" form detailing their business needs. This form can be found at http://theq.qwest.net/departments/legal/training/requestforservices.doc

2. Any request for standard tariff offerings will continue to go through the QC Wholesale Carrier Account Team for QCC.

3. QCC will submit the form to their QC Wholesale Senior Account Manager for review and consideration.

   - if the service is not offered by QC - QCC will contact the party directly.

   - if the request is for a service currently offered under the Master Services Agreement the Senior Account Manager will forward the request to the Business Unit Affiliate Manager to prepare a work order.

Qwest Communications Corporation Request Process

ride the light
Qwest

4. The form is forwarded to the Compliance Team. If this is a new request, the Compliance Team will discuss the request with Legal and the associated business unit to determine the risks to the corporation and the business units willingness to provide the product/service/information to QCC and if necessary, to others, if asked.

5. After a determination is made, the QC, Wholesale Senior Account Manager is notified of the outcome of the request.

6. The Senior Account Manager notifies QCC of the "yes" or "no" answer.

   - if the answer is "no" - QCC can appeal the decision to QC officer level.
   - if the answer is "yes" - the QCC Senior Account Manager sends the request to FCC Regulatory Accounting at Qwest.

Qwest Communications Corporation Request Process

7. FCC Regulatory Accounting will check to see if an existing Master Services Agreement exhibit covers this new request.

   - if it does, the QC, Wholesale Senior Account Manager forwards the request to the Business Unit Affiliate Manager (BUAM) to prepare a work order.

   - if it is not covered under an existing Master Services Agreement, the Agreement is amended and approved by QC and QCC. In addition, a new work order is prepared, priced, and approved.

8. New work orders must be approved before the service/product requested can commence.

9. The approved documents (work order/Master Service Agreement Amendment) must be posted on the Internet within 10 days.

Requests Made by Other Interexchange Carriers

ride the light
Qwest

If the Wholesale Carrier Account Team receives a request for non-standard goods, services, facilities or information (other than FCC 5 products) from other interexchange carriers, the Account Manager must:

1. Forward the request to FCC Regulatory Accounting.

2. FCC Regulatory Accounting will verify if the service is being offered to QCC.

3. If it is, FCC Regulatory Accounting will contact the business unit offering the service.

4. The business unit will work out the details of the service with the interexchange carrier.

Requests Made by Other Interexchange Carriers

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5. An agreement is drawn up between QC and the interexchange carrier.

6. The business unit will forward the agreement to FCC Regulatory Accounting who verifies the pricing is consistent with the QCC terms.

7. FCC Regulatory Accounting will notify the business unit to proceed with the service.

8. The business unit will begin to provide the service.

9. The services are billed to the interexchange carrier via the Billing and Accounts Receivable Tracking (BART) system.

Where can I go for more information?

- FCC/Regulatory Compliance Manager - Debi Adams, 503 242-4617
- Send email questions to "ask272@qwest.com"
- Corporate Compliance Advice Line - 1-800 333-8938
- Carrier Wholesale Organization – www.qwest.com/wholesale
- Qwest Corporation Effective Tariffs – http://tariffs.uswest.com:8000/iiop/WAImap?objectid=0-2826
- Section 272 Affiliate Transactions Web site www.qwest.com/about/policy/docs/long_distance.html

CONTINUATION

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CONFIDENTIAL/PROPRIETARY INFORMATION
CLASSIFICATION RATIONALE

Description/Title of Information: METHODS FOR AFFILIATE TRANSACTIONS

Confidential/Proprietary Designation Rationale:

This exhibit is a confidential, Company developed procedures document, which describes internal company operations. The Company has invested significant labor hours in its development. Because this information would be valuable to Qwest Corporation's competitors, it is proprietary.