

State Of Minnesota
Department of Commerce
INFORMATION REQUEST

P421/CI-01-1371 and P421/C-02-197

Information Requested From: Qwest Corporation

Information Requested By: Ferguson, Sharon

Date Requested: 07/12/2002

Date Response Due: 07/19/2002

REQUEST:

Admit that the "Payments" listed on page 1 of Trade Secret Attachment A to Qwest's response to DOC 08-218 in this docket are payments that were made by Qwest to McLeodUSA.

RESPONSE:

Admit.

Respondent: Terri Reddan

MINNESOTA
DOCKET NO. P421/CI-01-1371
AND P421/C-02-197
DOC-~~CB-22~~
ATTACHMENT: W

[Trade secret data begins



SmmryForA.Rchrds
n.xls

-----Original Message-----

From: aibarra@qwest.com [mailto:aibarra@qwest.com]
Sent: Friday, May 31, 2002 12:23 PM
To: Anne Richardson
Cc: Audrey McKenney
Subject: Vendor Plan Summary

Anne,

Here's a synopsis of where we stand. Let me know if you have questions.

Cheers,
Arturo

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McLEOD VENDOR PLAN SUMMARY

	<u>\$M</u>
4Q00 AI Wired	5,030
4Q00 Sttlemt	5,000
1Q01	5,740
2Q01	5,640
3Q01	5,984
	<u>17,364</u>
'01 Q Pymts	5,505
Total 2001	<u>22,869</u>
2001 Vndr Agrmt	15,840
'01 Over/(Under) Pymt	7,029
4Q00 DoublePayment	5,000
Total Overpayment	<u>12,029</u>
2002 Est Q Purch From M01	7,686
2002 Vendor Plan	18,320
'02 Est. Over / (Under)	<u>(10,634)</u>
Est. Post 2002 Residual	1,395

Trade secret data ends]

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COPY

SUBJECT TO RULE OF EVIDENCE 408

CONFIDENTIAL BILLING SETTLEMENT AGREEMENT

[Trade Secret Data Begins

This Confidential Billing Settlement Agreement ("Agreement"), is hereby entered into by Qwest Corporation ("Qwest") and McLeodUSA, Inc. ("McLeodUSA") (hereinafter referred to as the "Parties" when referred to jointly) on this ____ day of September, 2000.

RECITALS

1. Qwest is an incumbent local exchange provider operating in the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming.
2. McLeodUSA is a competitive local exchange provider that will soon operate in all fourteen states of Qwest's operating region.
3. Whereas both Qwest and McLeodUSA have entered into interconnection agreements pursuant to the federal Telecommunications Act of 1996 ("Act") under Sections 251 and 252 of that Act, and those agreements have been approved by the appropriate state commissions where those agreements were filed pursuant to the Act. Qwest and McLeodUSA operate under those agreements in certain states, as well as various state and federal tariffs.
4. Disputes between the Parties have arisen regarding the provisioning of finished services through unbundled network elements, and the provisioning of finished service through the UNE platform.
5. In an attempt to finally resolve those issues in dispute and to avoid delay and costly litigation, the Parties voluntarily enter into this Confidential Billing Settlement Agreement to resolve all disputes, claims and controversies between the Parties, as of the date of this Agreement that relate to the matters addressed herein, and McLeodUSA releases Qwest from any claims regarding the issue as described here.

CONFIDENTIAL BILLING SETTLEMENT AGREEMENT

1. The Parties enter into this agreement in consideration for the sum of money described below, and Qwest's release of McLeodUSA's conversion and termination fees associated with the changes to a new platform which is currently being created by the Parties. As part of the new platform, Qwest will provide call origination, call termination, call duration, and call type information to McLeodUSA.

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2. McLeodUSA shall pay to Qwest an amount of \$38,500,000 no later than November 10, 2000. This amount represents the charges which Qwest claims McLeodUSA owes it for conversion from resale to unbundled network elements, and for termination liability associated with existing contracts.

3. For valuable consideration mentioned above, the receipt and sufficiency of which are hereby acknowledged, Qwest does hereby release and forever discharge the other and the other's associates, owners, stockholders, predecessors, successors, agents, directors, officers, partners, employees, representatives, employees of affiliates, employees of parents, employees of subsidiaries, affiliates, parents, subsidiaries, insurance carriers, bonding companies and attorneys, from any and all manner of action or actions, causes or causes of action, in law, under statute, or in equity, suits, appeals, petitions, debts, liens, contracts, agreements, promises, liabilities, claims, affirmative defenses, offsets, demands, damages, losses, costs, claims for restitution, and expenses, of any nature whatsoever, fixed or contingent, known or unknown, past and present asserted or that could have been asserted or could be asserted in any way relating to or arising out of the disputes/matters addressed herein.

4. The terms and conditions contained in this Confidential Billing Settlement Agreement shall insure to the benefit of, and be binding upon, the respective successors, affiliates and assigns of the Parties.

5. Qwest hereby covenants and warrants that it has not assigned or transferred to any person any claim, or portion of any claims which is released or discharged by this Confidential Billing Settlement Agreement.

6. The Parties agree that they will keep the substance of the negotiations and/or conditions of the settlement and the terms or substance of the Confidential Billing Settlement Agreement strictly confidential. The Parties further agree that they will not communicate (orally or in writing) or in any way disclose the substance of the negotiations and/or conditions of the settlement and the terms or substance of this agreement to any person, judicial or administrative agency or body, business, entity or association or anyone else for any reason whatsoever, without the prior express written consent of the other party unless compelled to do so by law. It is expressly agreed that this confidentiality provision is an essential element of this Confidential Billing Settlement Agreement and negotiations, and all matters related to these matters, shall be subject to Rule 408 of the Rules of Evidence, at the federal and state level.

7. In the event either Party has a legal obligation which requires disclosure of the terms and conditions of this Confidential Billing Settlement Agreement, the Party having the obligation shall immediately notify the other Party in writing of the nature, scope and source of such obligation so as to

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enable the other Party, at its option, to take such action as may be legally permissible so as to protect the confidentiality provided in this agreement.

8. This Confidential Billing Settlement Agreement constitutes an agreement between the Parties and can only be changed in a writing or writings executed by both Parties. Each of the Parties forever waives all right to assert that this Confidential Billing Settlement Agreement was the result of a mistake in law or in fact.

9. This Confidential Billing Settlement Agreement shall be interpreted and construed in accordance with the laws of the State of Colorado, and shall not be interpreted in favor or against any Party to this agreement.

10. The parties have entered into this Confidential Billing Settlement Agreement after conferring with legal counsel.

11. If any provision of this Confidential Billing Settlement Agreement should be declared to be unenforceable by any administrative agency or court of law, the remainder of the Confidential Billing Settlement Agreement shall remain in full force and effect, and shall be binding upon the Parties hereto as if the invalidated provisions were not part of this Confidential Billing Settlement Agreement.

12. Any claim, controversy or dispute between the Parties in connect with this Confidential Billing Settlement Agreement shall be resolved by private and confidential arbitration conducted by a single arbitrator engaged in the practice of law under the then current rules of the American Bar Association. The Federal Arbitration Act, 9 U.S.C §§ 1-16, not state law, shall govern the arbitrability of all disputes. The arbitrator shall only have the authority to determine breach of this agreement, but shall not have the authority to award punitive damages. The arbitrator's decision shall be final and binding and may be entered in any court having jurisdiction thereof. Each party shall bear its own costs and attorneys' fees and shall share equally in the fees and expenses of the arbitrator.

13. The Parties acknowledge and agree that they have a legitimate billing dispute about the issues described in this Confidential Billing Settlement Agreement and that the resolution reached in this Agreement represents a compromise of the Parties' positions. Therefore, the Parties agree that resolution of the issues contained in this agreement cannot be used against the other Party, including but not limited to admissions.

14. This Confidential Billing Settlement Agreement may be executed in counterparts and by facsimile.

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IN WITNESS THEREOF, the Parties have caused this Confidential Billing Settlement Agreement to be executed as of this day ____ of September 2000.

McLeodUSA Incorporated

Qwest Corporation

By: _____

By: _____

Title: _____

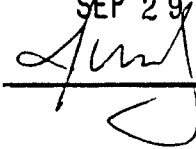
Title: _____

Date: _____

Date: _____

Approved as to legal form

SEP 29 2000



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PRIVILEGED & CONFIDENTIAL – FOR DISCUSSION PURPOSES

Outline of Major Terms
September 19, 2000

1. Q will provide billing tapes to allow M to bill access charges starting with usage for the month of October (or possibly September – Q to confirm) and going forward. M will not charge Q access rates on M platform lines at a rate higher than the rate Q charges M. Q will pay M [\$18 million] to settle a past billing dispute over access charges for the [2d & 3d] quarter of 2000 and a release of claims for a new M platform from the date of M's request. M will pay Q [\$29 million] for conversion and termination fees associated with the changes to a new M platform created by the parties. (Judy and Stacey to work on platform issues and details) (Audrey needs to confirm whether 2d quarter settlement is available).
2. Q will offer v.m. & DSL (& .net – to be confirmed by Q) to M region-wide at retail rates, subject to paragraph 6. In addition, if any new products offered by Q the parties will meet to discuss product offerings through a business-to-business relationship.
3. Q will develop state-by-state M local platform pricing for services (including & not limited to loops, ports, features, etc.) for a 36 month period (M to identify features it desires to sell and provide to Q by 9/22) (Q to provide pricing by 9/29).
4. M will provide information to allow Q to develop LD rates by 9/22 and Q will provide LD pricing by 9/29.
5. Within 2 days after receipt of pricing, M will deliver a forecast based on the rate information and will propose a 36 month total revenue commitment to Q (including revenue from all services and products purchased by M from Q, including & not limited to new M platform, resale, LD, Private line, v.m., DSL, DIA, etc.) with a firm, substantial portion of the total commitment in the form of "take or pay." In the event of significant competitive pressures, the parties agree to provide for a review of the pricing. The parties will address a review of the 'take-or-pay' amount in the event Q can not or does not provide services substantially in accordance with the agreement.
6. Based on the proposed commitment by M, within 5 business days, Q will propose volume and term discounts based on quarterly revenue targets, to be paid back to M by Q on a quarterly basis.
7. As a condition to Q completing this transaction, M must take a neutral stance on Q 271 relief and agree to develop a joint press release with Q announcing this arrangement. M and Q will work jointly on service standards. This is a material provision of this agreement.
8. The parties will continue to work on a program for securitization of receivables to allow capitalization by M (Audrey is working on these details and will provide input by 9/29).
9. The parties will continue work on an agreement to address M trunking needs. (Audrey to investigate pricing issues and provide ideas for how M can help address these issues and M needs to update LIS forecast by 9/29).
10. The parties will develop a clear escalation process to address problems, issues, disputes and concerns raised by the parties.

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IN WITNESS THEREOF, the Parties have caused this Confidential
Billing Settlement Agreement to be executed as of this day 29 of September
2000.

Trade Secret Data Ends]

McLeodUSA Incorporated

By: 

Title: EVP/CFO

Date: 9/29/00

Qwest Corporation

By: 

Title: EVP - Wholesale Markets

Date: 9/29/00

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TOPIC: McLeod Htz

P-421/C-02-197

DATE 4/30/02

FILE NUMBER

DOC 08-250

PAGE

TRADE SECRET ATTACHMENT

1

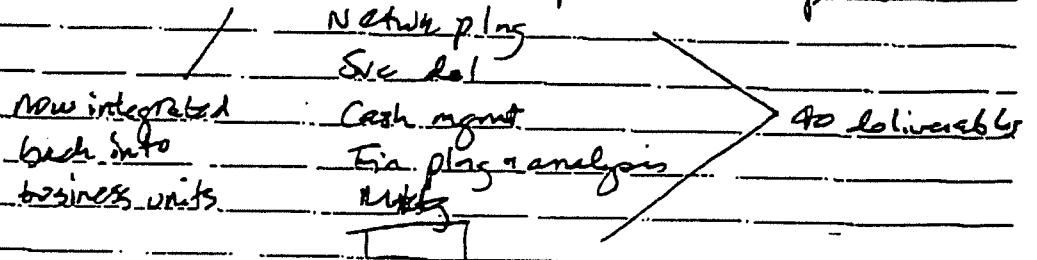
[Trade Secret Data Begins

- Joe Toffler
- Steve Gray
- Randy Kings
- Jon Bartleson
- Eric Wilkens
- Audrey McKenney
- Gordon Martin
- Beth Halvorson
- Anne Richardson

Eric Wilkens - ^{group} VP network planning & industry relations
 Joe T. - in charge of line costs (w/in finance)
 Jon B. - controller

→ Follow up: deeper dive into how we serve McLeod
McLeod Strategy

- Merids 2001, manifesting in May
- Midwise corrections
- (1) Additions to exec. committee of board to focus on ops
- (2) Not prepared to expand nationally:
 - Not → abandon this strategy
 - Focus on integrated voice + data
 - Facility based as necessary
 - 25 states
- (3) Review every aspect of business re ap exps for 560 A. → every group & employee
- (4) Process teams & implementation plans



Q will help dive deep on system & process, if needed

(5) 12/1 → look @ B/S & debt

• Could they buy back debt & trade equity? work w/ bondholders

(6) Permit only ch 11, w/ 2 classes of creditors: prof s/H & bondholders
 • 75 days got through this

(7) 4/16 emerged for in-court restructuring

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2

ownership

- (5) Firstmann Little owns 5% common stock & warrants for ~~1000~~ ~ 2200 shares (760% when they do that) Clark McCord has now stepped aside; Chris named chair of CEO, Steve is president. Davis
- (4) Confid: obj is to maintain / stabilize customers & financials. fix what's broken

Q1 \$65M for qtr (M to Q)
 Risk ~ \$200 - \$300M interstate LD

Expect to maintain & low grow from there.

2200 CO's throughout 25 state & have presence
 888 in Q

1400 remaining → ~400 0-100 lines (GTE)
 fr acquisitions & will decommission over time
 left w/ ~1000 outside of Q

888 in Q

• ~~1000~~ CO's in 3 buckets (have more detail on two)

439 • Sales CO - active sales presence

390 • Retain & grow CO - take care of base & upsell them, grow conservatively

59 • Hold & harvest CO's

• On switch / off switch plans - @ today
 125 unbundled loop calls in sales

39 in retain & grow

164

17 planned in active sales

1

retain & grow

* Jon Bartleson
 which CO's are in which category?
 so we can staff accordingly

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TOPIC: _____ DATE: _____
FILE UNIC#R: _____ PAGES: (3)

Now through end of 2003:

No increase in CO's, really, in 2002

# of CO's	<u>Sales</u>	<u>R+G</u>	<u>H/H</u>	<u>Total</u>
UNS-L	142	40	0	
Current	125	39	0	
Planned	17	1	0	
UNS-M (Lancello, all reseller)	297	350	59	
Total	439	390	59	888

"Platform agnostic" if prices are right

Will have list for decommission

* Have # of lines/CO & projections (Jon B has this.)

Sales strategy is still the same & feet on the street in selected CO's.

Feature sets: anything lacking on UNS-M that drives them to UNS-L?

- No enhancements req'd
- Would entertain anything to ↓ exps.

High M initiative pr. bus process team (60 days + get complete) will be mktz plan in end of June/1st part of July

think we're okay on feature sets
→ May be ops in D&L.

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4

main

2 issues going fwd for Q:
Economics (value prop.)
Level of service obligations

Focus on being more efficient & effective
Report troubles & fix fast
MAC processing
Orders done right

Steve → Need to understand electronic bonding & drive it.
Beth → Need to have ↑ proj mgmt (per Beth)

Gordon: Maybe helpful: OSS opportunity (feature rich) over-
McLeod can help us; we can help in region
M

M: Order entry for M is not outsourced @ this time across multiple RBO's

→ New systems architecture is coming out for MCL over next 3 years
Sherry Roach @ McLeod is driving it

→ Chris Ryan → overall MAC responsibilities

S Del hubs - Tulsa + Cedar Rapids
Provisioning - Springfield, MO + Tulsa + Cedar Rapids
CRS

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Depend on svc attributes & svc // link to systems
Need to understand systems (involve Chris Ryan)

Gordon economic issue

Need LLC partners to bond to our systems
to save capital (return on invested capital)
& contracted systems & labor

NUMBER

DATE

PAGE

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* → Will have right people aligned between
 our companies:

- Sherry (systems)
- Chris

* → Mtg tomorrow s/b Shawn or Chris Ryan attending
 if necessary.

- Svc scorecards monthly
- Quarterly review

Steve

1. Regulatory dimension discussion:

- States, FCC, Congress, etc.
- Agendas may overlap & try to keep out of state/fed reg level
- Steve to be involved in that; he now has PPLug responsibilities
- "No surprises"

2. Agreement

- 2) Current issues
- 5) Going forward issues

Continuum: Extension to reconstruction
 • Q's desire is reconstruction of agreement

(Set foundation for growth this year)

• Steve to stay connected w/ Randy
 Kings & Eric or Todd & Jon or
 Joe
 • As soon as we want to do it

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(4)

Do UN2-L analysis
@ EBIT level not
EBITDA: understand
cost of capital
implications

- UN2-M (per Audrey)
- statewide weighted avg → do they still want this?
- Usage → on flat rated for usage today → is that what they need?
- what's causing them to buy UN2-L not UN2-M?
- Working w 3rd party to salvage decommission equipment & we could help there
↳ 88C decommissions

- ★ → list of questions we want answers to / to M within 3 weeks will answer all of questions
- ★ → within 3 more weeks, & response to M
 - Balancing game is where is pricing in state deficits
- Substantive discussion w/in 30 days

Denver mtg:

- Regulation needs to Δ discussion w Steve Davis & Joe Nectro
- Reconstructed & go fuel agreement

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no for termination fees; will drop to \$600k - \$650k/year. Better sets available for other parties (34M now, drop 20M to 25M now & move to other parties)

DATE

FILE NUMBER

PAGE (7)

McLeod: B needs to pass CPN & ANI; MKL doesn't strip any ANI from anyone -> they pass it all if they get it

Connect Keith Roberts (M sells to Q) w/ Jeff Balderisson

Will Q be making 4Q payment? In legal today..

Will resolve in face-to-face mtg

thor: \$5m pymnt in June 01, included

HN: 4Q 2000 \$ stlth been

Offset amount issue & substantially overpaid in error

McLeod looked in 4Q this

Realy had conversation w/ Steve Davis on this

Agreement
- 10/1/2000 UNE-M
- Talks or pay started January

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Pr Adrey:

Udcol OR

- IMA type interfaces into Verizon SPC, etc
- Can we use this for electronic bonding

Trade Secret Data Ends

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MINNESOTA
DOCKET NO. P421/C1-01-1371
AND P421/C-02-197
DOC-08-212
ATTACHMENT: U

[Trade secret data begins]

From: Hansen, Steven Q [steven.hansen@qwest.com]
Sent: Thursday, January 17, 2002 8:10 AM
To: Comelsen, Rodean
Cc: Szeliga, Robin; Berman, Scott; McKenney, Audrey; Ibarra Jr, Arturo; Reed, Stacy
Subject: FW: McLeod Payment

Scott,

Please use this as authorization for the release of the payment to McLeod. Questions, please call me at 303-294-4543. Thank you.

Steve

Steven Q. Hansen
Vice President
CFO - Wholesale Markets
Phone: 303-294-4543
Cell: 720-312-7798

> -----Original Message-----

> From: Szeliga, Robin
> Sent: Wednesday, January 16, 2002 10:19 PM
> To: Hansen, Steven Q
> Subject: RE: McLeod Payment

>
> Thanks for keeping me informed I am good to go Could we look at whether
> they would like to renegotiate this given their financial status Maybe
> they could use something else and we could structure a better deal

> -----Original Message-----

> From: Hansen, Steven Q
> Sent: Wednesday, January 16, 2002 4:00 PM
> To: Szeliga, Robin
> Cc: McDermett, Kris; Graham, Grant
> Subject: McLeod Payment

> Robin,

>
> The request for the \$5.9M payment to McLeod is a result of a take or pay
> commitment made in conjunction with service agreement between Qwest and
> McLeod. Originally McLeod had signed a \$480M 3-year deal for services
> with Qwest in October of 2000. We enlisted there support on regulatory,
> legal, 271 and other matters of consulting for a \$48M take or payment
> commitment over the same period. This payment is for the time period of
> July through September. We will make similar payments on a quarterly
> basis. We have a similar deal with Eschelon. These commitments are all
> part of the partnership known as UNE-Star.

>
> It is my understanding that you are to be informed on all payments over
> \$1M before treasury will process. Would I be correct then in assuming
> that the best way to handle these going forward would be to submit the
> explanation to you for e-mail approval, have Grant sign on these once you
> have agreed and then process to treasury? I will ensure we follow
> whatever procedure you have outlined.

> Steven Q. Hansen
> Vice President
> CFO - Wholesale Markets
> Phone: 303-294-4543
> Cell: 720-312-7798 **Trade secret data ends]**

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Summary of Qwest agreement package

- I. A series of four agreements running through 12/31/03, which provide a special unbundled platform to MCLD. The new platform is considered an unbundled loop and switch port combination. The agreement included a one-time conversion payment of \$43.5 million (capitalized) to seamlessly convert all existing business and Centrex (incl. Res) lines to the new UNE-M platform. There is no requirement to disconnect or reconnect customers. We are actually converting our existing platforms to a new platform in name only.
- II. The new UNE-M Platform allows MCLD to collect access revenues starting October 1, 2000 on its business and Centrex-residential lines. These revenues are estimated to be ~~\$18 million per month~~. The Platform also provides new state rates approximately 25% below 1FB levels and is similar to UNE-P rates. The estimated savings are approximately \$500,000 per month. The rates are flat for the first average 525 minutes, with additional fees for additional average usage so there is risk of higher rates depending on local usage. ~~The rates do not take local usage charge related to toll traffic which basically offsets the cost reductions related to toll originating access.~~ The agreement has no rates or specified discounts for residential service other than in existing Centrex common blocks.
- III. Under a highly confidential agreement, we also receive a revenue/purchase commitment from Qwest based on the following :

<u>Year</u>	<u>MCLD expenditures with Q</u>	<u>Q expenditure with MCLD</u>
2001	\$178-188 million	6.5% of total MCLD expenditures
	\$188-198 million	8% of total MCLD expenditures
	over \$199 million	10% of total MCLD expenditures
2002	\$199-230 million	8% of total MCLD expenditures
	over \$230 million	10% of total MCLD expenditures
2003	\$199-250 million	8% of total MCLD expenditures
	over \$250 million	10% of total MCLD expenditures

~~Our revenue commitments are: 2001 - \$200 million, 2002 - \$250 million, 2003 - \$300 million~~

- IV. The platform includes the offering of the resale of voice messaging and DSL at retail rates.
- V. The package includes a settlement of our claims for conversion to a UNE-P platform during Q2 and Q3 2000 by Qwest paying us ~~\$20 million~~.
- VI. Includes a 3 year, \$480 million take-or-pay commitment by MCLD. The commitment is spread over 3 years and has annual commitments but total MCLD expenditures over 3 are cumulative. 480 million of revenue to ~~Qwest~~.

~~25% of our current line ac.~~ We forecast about \$750 million over expenditures over the same period and includes in-region and out-of-region, local and long distance purchases.

VII. The agreement provides that the parties will meet to establish an implementation process including service levels and metrics for service. Until the implementation process is established, existing DMOQs under existing interconnection agreements continue in force. If disputes arise the parties will utilize and agreed escalation process including three levels of management (up to CEO level) and arbitration. If escalation is not successful, MCLD may bring an action in federal court to recover its actual damages.

VIII. If Qwest performs, McleodUSA agrees not to object to Qwest applications for 271 approval.

IX. Estimated Impact:

~~Revenue for 2001 - EBITDA for 2001 - Incremental Sales - LD - Assets~~
~~EBITDA for 2001 - EBITDA for 2001 - Incremental Sales - LD - Assets~~

EBITDA for 2001 +\$40 million. (Excludes possible impact of treating this as a lease of assets)

Additional sales in Qwest region in about 700 CO's

Incremental out-of-region opportunities (SplitRock and CapRock) and LD

Reduced capital - Not yet quantified

Beginning of improved relationship with Qwest - not yet quantified

X. Risks:

Local usage substantially higher than a 525 minutes per line per month average drives rates up quickly.

We will do not have traffic exchange agreements with other CLECs who may attempt to collect recip comp from us.

JUL 24 2002 10:11 FR QWEST

612 672 8911 TO 914155850443

P.02/09

FROM

NOV 1 2001

P-421/C-02-197

DOC 08-212

Trade Secret Attachment

[Trade Secret Data Begins

Service and Billing Agreement (Used in lieu of a side letter)

This Service and Billing Agreement ("SBA") is made and entered into by and between McLeodUSA Incorporated and its subsidiaries ("McLeodUSA") and Qwest Communications International Inc. and its subsidiaries (For this document I assumed this was the Qwest ultimate parent and is an unregulated entity.) ("Qwest") (collectively, the "Parties") on this 30th day of October, 2000 [I suggest we date this agreement one day after the Amendment to Intercon Agmts].

Effective October , 2000 the Parties entered into an Amendment to all Interconnection Agreements between them, now in effect or entered into prior to December 31, 2003 (the "Amendment"). Based on the Parties ability to negotiate and enter into that Amendment to all Interconnection Agreements, the Parties elected to negotiate and enter into this SBA. The Parties have entered in to enter into this SBA to facilitate and improve their business and operational activities, agreements and relationships. In consideration of the covenants, agreements and promises contained below the Parties agree to the following:

1. This SBA is entered into between the Parties based on the following conditions, which are a material part of this agreement:

1.1 McLeodUSA has purchased, as of the end of each of the last 2 calendar years, at least xx,000 local exchange lines for resale from Qwest (throughout the 14-state area where Qwest is an incumbent local exchange carrier).

1.2 Qwest and McLeodUSA currently have an agreement, on a region-wide basis, to enter into agreements for the exchange of local traffic on a "bill and keep" basis, which provides for the mutual recovery of costs through the offsetting of reciprocal obligations, for local exchange traffic which originates with a customers of one company and terminates to a customer of the other company.

1.3 The Parties wish to establish a business-to-business relationship and have agreed that they will attempt to resolve all differences or issues which may arise under this SBA, as well as any other agreement between any McLeodUSA company and any Qwest company, under the escalation process in this section. The Parties agree to utilize the following escalation process and time frames to resolve all differences or issues which may arise under any agreement between any McLeodUSA company and any Qwest company, and not proceed to a higher level of dispute resolution until completion of the prior level, and to complete all levels before filing a proceeding before any court or administrative or governmental body:

1.3.1 Level 1 - Vice Presidents
(Stacey Stewart/Judy Tinkham or successors) 10 business days

1.3.2 Level 2 - Group/Senior Vice Presidents
(Diane Fisher/ Greg Casey or successors) 10 business days

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1.3.3 Level 3 - CEOs/Presidents
(Steve Gray/Joe Nacchio or successors) 5 business days

1.3.4 Level 4 - Arbitration according to the provisions of the Agreement.

1.3.5 If these steps do not resolve the dispute, then either party may initiate litigation in federal court. The Parties agree the exclusive venue for civil court actions by McLeodUSA is the United States District Court in Denver and the exclusive venue for civil court actions by Qwest is the United States District Court in Cedar Rapids. If any final order of dismissing a case is entered by the court, and not reversed, then the party bringing the action shall be responsible for the reimbursement of reasonable attorneys fees incurred by the other party. If any final summary judgment is entered by the court, then the party against whom the judgment is entered shall be responsible for the reimbursement of reasonable attorneys fees incurred by the party who obtained such judgment. In the event that either party files an action in court, the Parties waive primary jurisdiction in any state utility or service commission and all contractual or tariff limitations on damages, and the Agreements are hereby amended accordingly. Neither party, however, waives its right to take disputes unresolved after the arbitration level to the appropriate state or federal regulatory body for resolution.

1.4 This SBA shall be binding on Qwest and McLeodUSA and each of their respective subsidiaries, affiliated corporations, successors and assigns

1.5 This SBA may be amended or altered only by written instrument executed by an authorized representative of both Parties.

1.6 The Parties, intending to be legally bound, have executed this SBA effective as of October 1, 2000, in multiple counterparts, each of which is deemed an original, but all of which shall constitute one and the same instrument.

1.7 The term of this SBA will be the same as the term of the Amendment and both Agreements will terminate concurrently. This SBA and the Amendment can only be terminated in the event of

1.7.1 a material change in the current percentage of lines purchase by McLeodUSA in each of the various pricing zones of Qwest;

1.7.2 the average retail business rates across all Qwest states fall to within 20% of the average of the rates offered to McLeodUSA on Attachment 3.2 to the Amendment;

1.7.3 a material breach of the terms of the Agreements or this Amendment which remains unresolved and uncompensated following application of the dispute resolution provisions of this agreement;

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1.7.4 a material change in the telecommunications industry not resulting from any actions within the control of either party, or

1.7.5 either party giving written notice of termination at least six (6) months prior to the end of the Initial Term or any Successive Term.

1.8 All factual preconditions and duties set forth in this SBA are, are intended to be, and are considered by the Parties to be, reasonably related to, and dependent upon each other.

1.9 If either party's performance of this SBA or any obligation under this SBA is prevented, restricted or interfered with by causes beyond such Parties reasonable control, including but not limited to acts of God, fire, explosion, vandalism which reasonable precautions could not protect against, storm or other similar occurrence, any law, order, regulation, direction, action or request of any unit of federal, state or local government, or of any civil or military authority, or by national emergencies, insurrections, riots, wars, supplier failures, shortages, breach or delays, then such party shall be excused from such performance on a day-to-day basis to the extent of such prevention, restriction or interference (a "Force Majeure")

1.10 Provision of Products under the Amendment in accordance with sections 3.2 and 3.4 of the Amendment will be viewed by McLeodUSA as in compliance with the requirements of Section 271 of the Telecommunications Act of 1996 and McLeodUSA will not object to any filing by Qwest for authority to provide in-region interLATA long distances services. This provision does not prevent McLeodUSA from participating in regulatory proceedings relating to service quality or service standards for wholesale or retail services; or relating to pricing, terms, and conditions for related to resale services, unbundled network elements, or interconnection or collocation services

1.11 This SBA is not, and is not intended to be, an amendment to an interconnection agreement; however, either party may, at any time, demand that the other party make any provision of this SBA that is contrary to, or in any way inconsistent with, any Interconnection Agreement between the Parties, or any of their subsidiaries, an amendment to each of such Interconnection Agreements and the other party will immediately cause the appropriate corporate entity to execute such an amendment. The Parties that time is of the essence in compliance with this section and that failure to comply would cause immediate and severe damage to the other party acknowledge that money damages can not adequately remedy and, therefore, upon failure to execute such an amendment within 15 days after written demand, the party making demand may, upon 48 hours notice to the other party, obtain a judgment of injunctive relief in the form of an order for specific performance of the obligation of this section. In the event either party is required to bring an action for specific performance of this section, the other party will pay all costs and expenses, including reasonable attorneys fees, incurred in connection with such action.

2 In consideration of the agreements and covenants set forth above and the entire group of covenants provided in section 3, all taken as a whole, with such consideration only being adequate if all such agreements and covenants are made and are enforceable, McLeodUSA agrees to the following:

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FROM

EXHIBIT 23 00 17 26 97 17:04 NO. 430000108 P. 3

2.1 To pay Qwest the \$38.5 million for conversion fees and termination charges required by the Amendment.

2.2 To purchase from Qwest, or one of its affiliate corporations, during the Initial Term of this SBA, at least \$480 million worth (excluding any amounts paid to McLeodUSA pursuant to Section 3.2) of telecommunications enhanced or information services, network elements, interconnection or collocation services or elements, capacity, termination or origination services, and switching or fiber rights ("the Products"), at prices provided in Attachment 3.2A to the Amendment, including the best available pricing for wholesale long distance services, subject to the terms of this section 2.2.

2.2.1 Subject to the provisions of this section 2.2, by December 31, 2001, McLeodUSA will purchase a minimum of \$150 million of Products and in the event purchases by McLeodUSA do not meet this minimum, McLeodUSA agrees to make a payment to Qwest, no later than January 15, 2002, in an amount equal to the difference between actual purchases and the minimum.

2.2.2 Subject to the provisions of this section 2.2, by December 31, 2002, McLeodUSA will purchase a minimum of \$310 million of Products, and in the event purchases by McLeodUSA do not meet this minimum, McLeodUSA agrees to make a payment to Qwest, no later than January 15, 2003, in an amount equal to the difference between actual purchases and the minimum.

2.2.3 Subject to the provisions of this section 2.2, by December 31, 2003, McLeodUSA will purchase a minimum of \$480 million of Products, and in the event purchases by McLeodUSA do not meet this minimum, McLeodUSA agrees to make a payment to Qwest, no later than January 15, 2004, in an amount equal to the difference between actual purchases and the minimum.

2.2.4 The minimum purchase requirements provided in this Attachment shall be reduced proportionally for each of the following which occur:

- 2.2.4.1 A reduction in the rates for any of the Products, by agreement or otherwise
- 2.2.4.2 Any of the Products are no longer offered
- 2.2.4.3 Any sale of current Qwest exchanges
- 2.2.4.4 Any delay in the delivery of an ordered Product (which shall reduce the minimum dollar for dollar for Products ordered but not delivered)
- 2.2.4.5 Any outage or state of "out of service" when Products have been ordered or requested
- 2.2.4.6 Release, sale, transfer or relinquishment of any current collocation back to Qwest.
- 2.2.4.7 McLeodUSA's business is prevented, restricted or interfered with by a Force Majeure as described in section 1.9.
- 2.2.4.8 Changes in technology eliminating the need for certain services

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FROM

MONDAY, JUL 22, 2002 10:14 AM NO. 4300010103

provided by Qwest

2.2.5 The take or pay purchase requirements of this section are conditioned on the approval of the Amendment in each of the 14 states where Qwest is an incumbent local exchange carrier.

2.3 To maintain, throughout term of this SBA, no fewer than ~~xx~~ 100,000 local exchange lines per year purchased from Qwest throughout the territories where Qwest is currently the incumbent local exchange service provider, for the purpose of providing service to McLeodUSA's customers. For purposes of this provision, local exchange lines purchased include lines purchased for resale and unbundled loops, whether purchased alone or in combination with other network elements. This minimum line commitment will be reduced proportionally in the event Qwest sells any exchanges where it is currently the incumbent local exchange service provider

2.4 To maintain, during the term of this SBA no fewer than x,000 local exchange lines purchased from Qwest in each state where Qwest is currently the incumbent local exchange service provider, for the purpose of providing service to McLeodUSA's customers. This minimum line commitment will be reduced proportionally in the event Qwest sells any exchanges where it is currently the incumbent local exchange service provider.

2.4 To place orders for the product offered in this SBA, and for features associated with the product, using (at McLeodUSA's option) either IMA or EDI electronic interfaces offered by Qwest, to the extent that those interfaces adequately support the product. Orders placed electronically through a third party acting on behalf of McLeodUSA are in compliance with this requirement

2.5 To remain on a "bill and keep" basis for the exchange of local traffic with Qwest, throughout the territories where Qwest is currently the incumbent local exchange service provider until December 31, 2002.

2.6 To enter into and maintain interconnection agreements, or one regional agreement, covering the provision of Products throughout the entire territory where Qwest is currently the incumbent local exchange service provider, except in those exchanges sold by Qwest.

3. In consideration of the agreements and covenants set forth above and the entire group of covenants provided in section 2, all taken as a whole, with such consideration only being adequate if all such agreements and covenants are made and are enforceable, Qwest agrees to the following:

3.1 To waive and release all charges and liability, other than those described in section 2.1, associated resale products purchased from Qwest prior to the effective date of this SBA or for converting or terminating McLeodUSA services purchased from Qwest for resale to the UNE/switch port and loop combination product described in this SBA

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FROM

MON 10 23 00 17:29 ST. 07:04 NO. 460000100

3.2 To increase its purchases from McLeodUSA, or one of its affiliate corporations, during the term of this SBA, to the minimum amount of telecommunications, enhanced or information services, network elements, interconnection or collocation services or elements, capacity, termination or origination services, switching or fiber rights ("the Products") as described in, and subject to the terms, attachment 3.2

3.3 To remain on a "bill and keep" basis for the exchange of local traffic with Qwest, throughout the territories where Qwest is currently the incumbent local exchange service provider until December 31, 2002.

Made and entered into on the date written above by McLeodUSA and Qwest

McLeodUSA Incorporated

Qwest

Authorized Signature

Authorized Signature

Name Printed/Typed

Name Printed/Typed

Title

Title

Date

Date

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FROM

EXCERPT

- i. Subject to the provisions of this Attachment, the amount of Qwest's commitment to increase its purchases, based on prices set by McLeodUSA in accordance with law and any other agreement between the Parties, will be that amount required to produce margins for McLeodUSA in the amounts described below:

<u>McLeodUSA purchases</u>	<u>Margin Production Commitment</u>
2001: \$178-188 million	6.5% of total amount of McLeodUSA purchases
\$188-198 million	8% of total amount of McLeodUSA purchases
over \$198 million	10% of total amount of McLeodUSA purchases
2002: \$199-230 million	6% of total amount of McLeodUSA purchases
over \$230 million	10% of total amount of McLeodUSA purchases
2003: \$199-250 million	8% of total amount of McLeodUSA purchases
over \$250 million	10% of total amount of McLeodUSA purchases

- ii. In the event purchases by Qwest are not increased to the proportionate quarterly level of the commitment described above, based on the proportionate purchases of McLeodUSA under this SBA, Qwest will pay the difference between its actual increased purchases and committed increase by the end of each calendar quarter. In the event of changes during the course of the year, the committed purchases and quarterly payments will be balanced at the end of the year based on the annual figures provided above.
- iii. If McLeodUSA does not reach the purchase levels provided above then there is no increased purchase commitment by Qwest.

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Audrey -
my real life
of Randy's
document.

INTERCONNECTION AGREEMENT AMENDMENT TERMS
(Matters subject to regulatory review are included in this amendment.)

This Amendment Agreement ("Amendment") is made and entered into by and between McLeodUSA Telecommunications Services, Inc. ("McLeod") and Qwest Corporation ~~For this document I recommend we use the name of Q's regulated entity that will provide the telecom services that are regulated~~ ("Qwest") (collectively, the "Parties") on this ~~10th~~ day of October, 2000. [I recommend dating this the day before the Service and Billing Agreement]

Jm

The Parties agree to ~~draft and file~~ this Amendment as an amendment to, and it is intended to ~~amend~~ all Interconnection Agreements ("Agreements" and, singularly, "Agreement") between them, now in effect or entered into prior to December 31, 2003, with the Amendment containing the following provisions:

We need to be clear so far
that the amendment is for

1. This Amendment is entered into between the Parties based on the following conditions:

Summary
of
intent

?? Both integrated
and joined together
10/1/00
to 12/31/03

McLeodUSA has purchased, as of the end of each of the last 2 calendar years, at least 20% local exchange lines for resale from Qwest (throughout the 14-state area where Qwest is an incumbent local exchange carrier) ~~of their local exchange lines are from Q~~

1.2 Qwest and McLeodUSA currently have an agreement, on a region-wide basis, to enter into agreements for the exchange of local traffic on a "bill and keep" basis, which provides for the mutual recovery of costs through the offsetting of reciprocal obligations, for local exchange traffic which originates with a customer of one company, and such company uses it switch for such purposes, and terminates to a customer of the other company.

does
lines
ability
to
join

1.3 The Parties wish to establish a business-to-business relationship and have agreed that they will attempt to resolve all differences or issues that may arise under the Agreements or this Amendment under the escalation process to be defined between the parties, and modified if appropriate. (I would put this in the letter agreement between the parties on an escalation) in this section. The parties agree, subject to any subsequent agreement between the parties, to utilize the following escalation process and time frames, to not proceed to a higher level of dispute resolution until completion of the prior level and to complete all levels before seeking filing a proceeding before any court or administrative or governmental body.

is this
"10" Tel
"20"l.
process
do they
OK,
if so
Should
we
do this
as opposed
to
Regulator
PAC meeting

~~1.3.1 Level 1 Vice Presidents
(Tommy Brewer/Judy Lukham or successors) 10 business days~~

~~1.3.2 Level 2 Group/Senior Vice Presidents
(Blake Fisher/Greg Casey or successors) 10 business days~~

~~1.3.3 Level 3 Arbitration according to the provisions of the Agreement.~~

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Settlement Agreement

This Settlement Agreement (this "Agreement") is dated March 1, 2002 (the "Effective Date"), and is between Qwest Corporation, a Colorado corporation ("Qwest"), and Eschelon Telecom, Inc., a Delaware corporation ("Eschelon"). Qwest and Eschelon are referred to collectively as the "Parties" and individually as the "Party."

Whereas, Qwest is an incumbent local exchange carrier operating in the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming;

Whereas, Eschelon is a competitive local exchange carrier operating in the states of Arizona, Colorado, Minnesota, Oregon, Utah, and Washington, as well as Nevada;

Whereas, each of the Parties seeks to avoid delay and costly litigation and to resolve certain issues in dispute.

Qwest and Eschelon therefore agree as follows:

1. Definitions When used in this Agreement, the following terms have the following meanings:

"Act" means the Telecommunications Act of 1996.

"CABS" means carrier access billing system.

"Claims" means, individually and collectively, each and every claim, action, causes of action, suit, demand, damage, judgment, execution, cost, expense, liability, controversy, setoff, omission, and loss of any kind whatsoever, whether known or unknown, whether in law or in equity, including any related interest expenses that may have accrued in connection therewith, from the beginning of time through February 28, 2002, that Eschelon or Qwest has, had or may have against the other Party arising out of the Disputes through February 28, 2002.

"Disputes" means, for the time period through February 28, 2002: (1) disputes concerning service credits; (2) disputes concerning consulting and network-related services provided by Eschelon to Qwest; (3) CABS disputes concerning switched access minutes of use; (4) disputes concerning payment of UNE-E line and UNE-E Non-Recurring Charge credits; and (5) disputes concerning Eschelon's claims of anti-competitive conduct and unfair competition.

"Interconnection Agreement" means the interconnection agreements and all amendments thereto filed with the PUC in each state in which Eschelon obtains services and facilities from Qwest.

"PUC" means state public utility commission.

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Settlement Agreement

"Terminated Agreements" has the meaning set forth in paragraph 3(b) below.

"UNE-E" means Unbundled Network Element – Eschelon, a product purchased by Eschelon under its Interconnection Agreement, as amended in November of 2000 and July and August of 2001.

"UNE-P" means Unbundled Network Element – Platform.

2. Release of Claims. (a) For valuable consideration to be paid by Qwest to Eschelon as provided in Paragraph 3(a) below, Eschelon hereby fully waives, releases, acquits, and discharges Qwest and its associates, owners, stockholders, successors, assigns, partners, parents, insurance carriers, bonding companies, affiliates and subsidiaries, and each of their respective directors, officers, agents, employees and representatives from any and all Claims arising out of the Disputes through February 28, 2002.

(b) In consideration of the waiver and release described in Paragraph 2(a) above, Qwest hereby fully waives, releases, acquits, and discharges Eschelon and its associates, owners, stockholders, successors, assigns, partners, parents, insurance carriers, bonding companies, affiliates and subsidiaries, and each of their respective directors, officers, agents, employees and representatives from any and all Claims arising out of the Disputes through February 28, 2002.

3. Actions to be Taken The Parties shall undertake the following actions:

(a) On the Effective Date, Qwest shall provide payment, using credits, to Eschelon in an amount equal to \$7,912,000, with offsets as follows: (i) apply \$6,380,000 against UNE-E charges and associated charges that are not disputed by the Parties as of February 28, 2002; and (ii) apply and credit \$1,532,000 — which sum represents \$7,912,000 less \$6,380,000 — against all current and non-disputed invoices that are payable by Eschelon to Qwest. Eschelon shall determine how the offset amounts in each of clauses (i) and (ii) will be applied and shall so designate in writing to Qwest within ten days of the Effective Date.

(b) For convenience and various reasons, the Parties hereby terminate the following agreements ("Terminated Agreements"), as of the Effective Date:

- (1) Feature Letter dated November 15, 2000;
- (2) Implementation Plan Letter dated November 15, 2000;
- (3) Escalation procedures and business solution letter dated November 15, 2000;
- (4) Confidential Purchase Agreement dated November 15, 2000;
- (5) Confidential Amendment to Confidential Trade Secret Stipulation dated November 15, 2000;
- (6) Third Amendment to Confidential Trade Secret Agreement dated July 3, 2001;
- (7) Status of switched access minute reporting letter dated July 3, 2001; and
- (8) Implementation Plan dated July 31, 2001/August 1, 2001.

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Settlement Agreement

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(c) Attachment 3 to the Implementation Plan dated July 31, 2001 August 1, 2001 relating to UNE-E will continue to bind the Parties unless the Parties agree otherwise in a writing executed by both Parties. Eschelon agrees that Qwest will file this Attachment 3 as an amendment to the Interconnection Agreement.

(d) The Billing Usage letter dated November 15, 2000 will be terminated when the Parties agree the manual process is terminated and Eschelon moves to the mechanized process described in Paragraph 3(g) below.

(e) Qwest shall make the UNE-E offering and existing business processes related to the UNE-E offering available to Eschelon through the current term of the Interconnection Agreement Amendment Terms dated November 15, 2000.

(f) Within ten days of the Effective Date, the Parties shall form a joint team. The purpose of the joint team shall be to develop a mutually acceptable plan (the "Plan") to convert UNE-E lines to UNE - P. Qwest and Eschelon shall use best efforts to cooperate in converting UNE-E lines to UNE-P in accordance with the Plan..

(g) Qwest and Eschelon shall work closely together in moving Eschelon from a manual to a mechanized process so that Eschelon can bill for access on UNE-P. The Parties shall work closely for 60 days to validate working telephone numbers and associated minutes of use, and will terminate the manual process after these 60 days with the consent of both Parties. If the parties are unable to agree on the date of the termination of the manual process, then the Parties shall follow the procedures described in paragraph 8 below.

(h) Level 3 Escalation. Upon execution of this Agreement, Eschelon's February 8, 2002 request for a Level 3 escalation will be deemed permanently withdrawn.

4. Successors and Assigns. The terms and conditions contained in this Agreement shall inure to the benefit of and be binding upon, the respective successors, affiliates and assigns of the Parties.

5. Assignment of Claims. No Party has assigned or transferred to any person any Claim, or portion of any Claim, released or discharged by this Agreement.

6. Filing of Agreement. The Parties agree that negotiation of this Agreement is subject to Rule 408 of the Federal Rules of Evidence, and similar rules at the state level. Notwithstanding the foregoing, nothing in this Agreement shall prevent a Party from asserting a claim against the other Party to enforce this Agreement and nothing herein shall bar a Party from filing this Agreement as it deems necessary and appropriate in order to comply with state or federal law, or in connection with a relevant legal or regulatory proceeding in which Qwest or Eschelon is a party. Qwest and Eschelon expressly contemplate that this Agreement will be filed

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Settlement Agreement

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with the PUCs in its region in states where Eschelon is certified and has an interconnection agreement.

7. Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the Parties. This Agreement can be amended or changed only in a writing or writings executed by both of the Parties, except that this Agreement must not be amended or modified in any way by electronic message or e-mail communications.

8. Dispute Resolution. Each Party reserves its rights to resort to all remedies, including seeking resolution by a PUC or a court, agency, arbitrator, or regulatory authority of competent jurisdiction.

9. Notices. Except as otherwise provided in this Agreement, every notice or other communication to a Party required, permitted or contemplated under this Agreement must be in writing and (a) served personally, in which case delivery will be deemed to occur at the time and on the day of delivery; (b) delivered by certified mail or registered mail, postage prepaid, return receipt requested, in which case delivery will be deemed to occur the day it is officially recorded by the U.S. Postal Service as delivered to the intended recipient; or (c) delivered by next-day delivery to a U.S. address by recognized overnight delivery service such as Federal Express, in which case delivery will be deemed to occur upon receipt. Upon prior agreement of the Parties' designated recipients identified below, notice may also be provided by facsimile. Except as otherwise provided in this Agreement, every notice or other communication must be delivered using one of the alternatives mentioned in this paragraph and must be directed to the applicable address indicated below or such address as the Party to be notified has designated by giving written notice in compliance with this paragraph:

If to Qwest:

Qwest Corporation
Attention: General Counsel
1801 California Street, Suite 5200
Denver, Colorado 80202
Tel: (303) 672-2700
Fax: (303) 295-7046

If to Eschelon:

Eschelon Telecom, Inc.
Attention: General Counsel
730 2nd Avenue, Suite 1200
Minneapolis, MN 55402
Tel: (612) 436-6692
Fax: (612) 436-6792

10. No Waiver. The Parties agree that their entering into this Agreement is without prejudice to, and does not waive, any positions they may have taken previously, or may take in the future, in any legislative, regulatory, judicial, or other forum addressing any matters other than the Claims.

11. No Admission. The Parties acknowledge and agree that they have legitimate disputes relating to the issues described in this Agreement, and that the resolution reached in this Agreement represents a compromise of the Parties' positions. Therefore, the Parties deny any wrongdoing or liability and expressly agree that resolution of the issues

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Settlement Agreement

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contained in this Agreement cannot be used against the other Party in any manner or in any forum (except for claims related to breaches of this Agreement).

12. Counterparts. This Agreement may be executed by facsimile and in counterparts, each of which is an original and all of which together constitute one and the same instrument.

EXECUTION PAGE FOLLOWS

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Settlement Agreement

Page 5 of 6

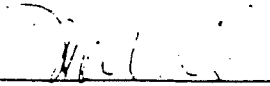
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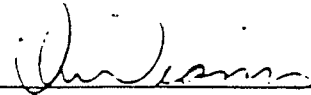
Counterpart Execution Page
Settlement Agreement


The undersigned are executing this Settlement Agreement on the date stated in the introductory clause.

QWEST CORPORATION

By: 
Name: Dana Filip
Title: Senior Vice President

ESCHELON TELECOM, INC.


By: 
Name: Clifford D. Williams
Title: Chief Executive Officer

 Lyle Patrick
07/23/2000 05:03 PM

To: James T. Balvanz/MCLEOD@MCLEOD, Joseph P. Terfler/MCLEOD@MCLEOD, Jamie J. Loch/North/MCLEOD@MCLEOD
cc: Joseph H. Ceryanec/MCLEOD@MCLEOD
Subject: Re: Overview of Qwest Mtg

FYI, and it looks like some "assistance work" coming your way.

----- Forwarded by Lyle Patrick/MCLEOD on 07/23/2000 05:19 PM -----

 Stephen C. Gray
07/21/2000 04:56 PM


To: Clark E. McLeod/MCLEOD@MCLEOD, Roy A. Wilkens/MCLEOD@MCLEOD
cc: Lyle Patrick/MCLEOD@MCLEOD
Subject: Re: Overview of Qwest Mtg

Net, net.....

A very good meeting with Q. Time will tell how effective.....

SCG

----- Forwarded by Stephen C. Gray/MCLEOD on 07/21/2000 05:06 PM -----

 Blake O. Fisher
07/20/2000 12:21 PM

To: Stacey D. Stewart/MCLEOD@MCLEOD, Randall E. Rings/MCLEOD@MCLEOD
cc: Stephen C. Gray/MCLEOD@MCLEOD
Subject: Re: Overview of Qwest Mtg 

Stacy, I think your recap is good. I have the following additional observations and recommend we get a joint plan together covering the what by when by who.

I have copied Steve for his information.

Business Philosophy:

- Go forward transactions make good business sense for both parties (win,win)
- Work toward a long-term relationship
- Qwest is primarily focused on wholesale, McLeodUSA on retail market share.

Phase 1 Activities

1. Make clear to Qwest that the Une -P platform is partially of interest because of access revenue.
2. Identify CO's assuming Une-P economics that we could add (also assume DSL and voice messaging would be available). I estimate that 80 to 85 ales people could replace the revenue loss to Qwest of lowering our resale prices to Une-P in twelve months.
3. Identify CO's that we would consider leaving on -switch for Qwest with Une-P pricing.
4. Talk with Qwest next week about moving to a proposal that could include volume discounts.

Phase 2 Activities

1. Get commitment on trunking needs.
2. Get cage delivery schedule based on 45 day time frame rather than 90.
3. Establish clear process and escalation procedures within both network orgs.

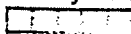
Phase 3 Activities

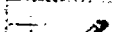
1. Out of region LD opportunities
2. Joint build possibilities.
3. Splitrock needs. Maybe they could help with in-region IMT's

Phase 4 Activities

1. Randy to contact Steve Davis.
2. Identify filings that are 'anticompetitive' and escalate
3. Understand go forward pricing and regulatory agendas.
4. Possible 271 discussions.


Stacey D. Stewart









 Stacey D. Stewart
07/20/2000 10:12 AM

To: Blake O. Fisher/MCLEOD@MCLEOD
cc: Stacey D. Stewart/MCLEOD@MCLEOD
Subject: Overview of Qwest Mtg

Blake,Randy

Below is a recap of what we discussed yesterday along with a list of action items. Can you review and give me some feedback.

Attendees: Greg Casey, Executive Vice President Wholesale, Qwest
Judy Tinkham, Vice President (regulated) Wholesale Services
Joe Dalton, Vice President (unregulated) Wholesale Services
Audrey McKenney, Vice President Wholesale Markets Finance
Blake Fisher
Randy Rings
Stacey Stewart

Openings Comments:

- Casey expressed Qwest's desire to 'leverage' the wholesale markets much more going forward
- He said he wanted McLeodUSA to be 'flagship' wholesale carrier in their footprint
- They want to provide additional services at reasonable rates
- They want us to be successful, since their belief is that 'if McLeodUSA is successful then Qwest would be successful'
- He declared that USWest is dead and Qwest is in charge and their mindset is not as an RBOC
- They clearly understand the importance of wholesale business
- They want to leverage McLeod across their footprint especially in smaller markets
- To help prove that they're serious, they have dropped 17 of 21 pending commission complaints across the region and the rest soon.
- They want to form a business to business relationship or more like it should be a vendor to customer relationship in region.
- If they're still issues lingering, he wanted them identified and detailed (product, pricing, functionality)
- He wants to 'cut a deal' on line cost, period.
- They're impatient, they want results so they want to begin taking action

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Other discussion items:

- Opportunities for co-construction
- Network sharing
- Delivery issues
- Out of region desires, SplitRock specific
- Open discussions, unless both parties agree it's 'on the record'

Assessment:

- Cautiously optimistic
- Same conversation we had with Kelley months ago (but this was during Sol reign)
- They seemed sincere about writing down their revenue for the prospect of added revenue in region and especially out of region
- We need to be sure we ask for exactly what we want, because we may just get it and then we have nobody to blame but us.
- DSL and VM resale would be a great addition to the mix.
- Even though it appears that we'll get some nice bones, we need to negotiate on every detail
- It would sure be nice working business to business without every concern being regulatory.
- Only time will prove their claims

Plan:

- Phased approach recommended (could happen in parallel)
- Phase 1- Centrex/UNE-Z Pricing proposal
- Phase 2- Network to Network discussions
- Phase 3- Joint Planning Meeting
- Phase 4- Legal to Legal meeting

Action Items:

- Line Cost Proposal
 - Need to establish pricing target (with access rev) (Stacey/Jim Balvanz)
 - Need to determine platform (UNE-P, CTX, UNE-Z) (all)
 - How many lines can we commit to and for what period (Balvanz)
 - How do features add in. (Balvanz and marketing)
 - What's the differential by state in UNE-L(colo) and UNE-Z if we were going to not deploy added colos (Balvanz)
- Colocation Assessment
 - What stage are we in where (Loch/Novak/Graham)
 - What price would we need to delay or abort (Balvanz/Loch)
 - How do we reprioritize based on new keeping UNE-Z (Balvanz/Loch)
- Forecast
 - co level, lines on-switch vs. resale lines (Stacey/Loch)
 - potential feature mix (Stacey/marketing)