

PAYMENT AGREEMENT FOR CERTAIN DISPUTED CHARGES

This Payment Agreement for Certain Disputed Charges ("Payment Agreement") is made by and between Qwest Corporation ("Qwest") and Northwest Telephone Inc. ("NTI") and sets forth the manner in which Qwest and NTI will handle payments for certain disputed charges pending resolution of the below-described Dispute. Qwest and NTI may sometimes be referred to collectively as the "Parties."

RECITALS

Whereas NTI operates in the state of Washington as a Competitive Local Exchange Carrier ("CLEC") and Qwest operates in the state of Washington as an Incumbent Local Exchange Carrier ("ILEC"); and

Whereas a dispute has arisen between the Parties concerning whether a certain network configuration for interconnection in Washington proposed by NTI meets the criteria for a "mid-span meet point" under the terms of the Parties' current Washington Interconnection Agreement (the "Washington ICA") (hereinafter, the "Dispute"); and

Whereas, based on the Dispute, NTI has withheld Qwest charges both for private line services provisioned under Qwest's interstate FCC Tariff No. 1 and for local interconnection services ("LIS") provisioned under the Washington ICA (hereinafter, the "Disputed Circuits"), which Disputed Circuits are specifically identified on **Exhibit A** attached hereto; and

Whereas, as more fully set forth on **Exhibit A**, the charges for the Disputed Circuits totals One Hundred Fourteen Thousand Five Hundred Fifty-Six and Sixty-eight/100 Dollars (\$114,556.68) (the "Disputed Charges"); and

Whereas the Parties desire to enter into an agreement setting forth how payments for the Disputed Circuits will be handled by the Parties until the Dispute is resolved;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the Parties agree as follows:

AGREEMENT

1. PAYMENT INTO ESCROW. NTI will, within seven (7) days of the effective date of this Payment Agreement, pay into escrow an amount equaling the Disputed Charges, in the manner set forth in the Depository Escrow Agreement attached hereto as **Exhibit B**. Thereafter, NTI shall pay into escrow the amount of any future payments for the Disputed Circuits in accordance with the time frames set forth in the applicable interconnection agreements and tariffs. Such future payments shall be added to and become a part of the Disputed Charges and shall be held and disbursed in accordance with the Depository Escrow Agreement.

Qwest concurrence:

NTI Concurrence: *am*

2. EFFECT OF PAYMENT INTO ESCROW. Until such time as the Dispute is resolved in accordance with Paragraph 3 below, Qwest will forebear from initiating any collection activity against NTI for nonpayment of the Disputed Charges so long as NTI complies with its obligations under Paragraph 1 and so long as NTI timely pays all future undisputed invoices in accordance with the terms of the applicable interconnection agreements or tariffs. Should NTI fail to make timely future payments related to the Disputed Circuits or any undisputed invoices for any circuits, Qwest reserves the right to begin collection actions with respect to future payments in accordance with the provisions of the applicable interconnection agreement or tariff. Notwithstanding the foregoing, Qwest does not waive or compromise its right to challenge any order placed under any interconnection agreement or tariff on the basis that said order does not qualify for purchase under the interconnection agreement or tariff and NTI does not waive or compromise its rights under any interconnection agreement or tariff including, but not limited to, the right to dispute the applicability and amount of any charges. The Parties agree for purposes of this Paragraph 2 that: a) an invoice will only be deemed to be disputed if it is not based on the Dispute; and b) and that any dispute concerning invoices that are not based on the Dispute will be handled under the terms of the applicable provisions of the interconnection agreements and tariffs.

3. RESOLUTION OF DISPUTE AND RELEASE OF ESCROW. If within ninety (90) days of the final execution of this Payment Agreement NTI *has not* certified to the Depository Agent that NTI has initiated a formal action to resolve the Dispute before the Washington Utilities and Transportation Commission (“WUTC”) or other appropriate state or federal agency, then: a) the Dispute shall be deemed “resolved”; b) all Depository Funds held in escrow shall be released to Qwest; and c) this Payment Agreement shall be of no further force and effect. If within ninety (90) days of the final execution of this Payment Agreement NTI *has* certified to the Depository Agent that NTI has initiated an action to resolve the Dispute with the WUTC or other appropriate state or federal agency, then: a) the Dispute shall not be deemed to be “resolved” until such time as the appropriate state or federal agency issues a final order; b) the Parties shall continue to comply with their obligations set forth in Paragraphs 1 and 2 above; and c) once the WUTC or other appropriate state or federal agency resolves the Dispute by issuing its final decision, the Parties shall, within thirty (30) days jointly issue directions to the Depository Agent to disburse the escrow balance in a manner consistent with the outcome of the formal proceeding, regardless of whether the decision has been appealed. If at any time NTI initiates but withdraws a complaint or does not timely make payments in accordance with the applicable undisputed interconnection agreements or tariffs, then the Dispute shall be deemed “resolved” and the Parties shall jointly instruct the Depository Agent to release all funds held in escrow to Qwest.

4. DISPUTE RESOLUTION. Any disputes concerning the provisions of this Payment Agreement, including claims of breach, will be submitted to the WUTC for resolution. Notwithstanding any rule or other contrary authority that might otherwise be applicable, the prevailing party in any arbitration under this Paragraph shall be entitled to reimbursement for its reasonable costs and attorneys fees.

Qwest Concurrence:

NTI Concurrence: 

5. ENTIRE AGREEMENT. This Payment Agreement is the entire agreement between NTI and Qwest and replaces any previous understanding or agreement concerning the subject matter hereof. No term or condition of this Payment Agreement, including, without limitation, the terms and conditions of this paragraph, may be amended, modified or supplemented, and no waivers or consents to departures from any of the terms and conditions of this Payment Agreement shall be effective or of any force or effect, other than as shall be set forth in a written instrument signed by both Parties. No waiver by either party or any default, misrepresentation, or breach of any term of condition of this Payment Agreement, whether intentional or otherwise, will be deemed to extend any prior or subsequent default, misrepresentation or breach of any term or condition of this Payment Agreement or in any manner affect any rights arising by reason of any such prior or subsequent default, misrepresentation or breach.

6. CONFIDENTIALITY. Qwest and NTI shall keep in confidence and prevent the disclosure of this Payment Agreement and all of its terms and conditions, except as required by law.

7. SUCCESSORS AND ASSIGNS. This Payment Agreement shall be binding on, and inure to the benefit of NTI, Qwest, and their respective successors and assigns.

8. APPLICABLE LAW. This Payment Agreement shall be interpreted in accordance with the laws of the state of Washington. This Agreement has been jointly drafted by the Parties and shall not be interpreted against either party based upon that party's role as drafter.

9. COUNTERPARTS. This Payment Agreement may be executed by facsimile and in multiple counterpoints, each of which shall be deemed an original, but all of which shall be deemed one and the same document. The effective date of this Payment Agreement shall be the date on which it is last executed by either party.

Qwest Concurrence:

NTI Concurrence: 

The undersigned declares that the terms of this Payment Agreement have been completely read and are fully understood and are voluntarily accepted and that the undersigned has the authority to bind his/her respective company to the terms and conditions of this Payment Agreement.

Northwest Telephone Inc.

Andrew Metcalfe
Signature

Andrew Metcalfe
Name Printed/Typed

President/CEO
Title

5/31/05
Date

Address of Notices

Northwest Telephone Inc.
Attention: Jenny Rickel Chief Oper. Officer
250 East Penny Road
Wenatchee, WA 98801
Facsimile: 509.661.2020

Qwest Corporation

[Signature]
Signature

Sam Johnson
Name Printed/Typed

VP Wholesale
Title

6/2/05
Date

Address of Notices:

Qwest Corporation
Attention: Corporate Counsel – Interconnection
1801 California Street
Suite 1000
Denver, CO 80202
Facsimile: 303-295-7049

Qwest Concurrence:

NTI Concurrence: [Signature]

**NORTHWEST TELEPHONE
PAST DUE BALANCES**

NORTHWEST TELEPHONE INC BALANCES FOR IABS ACCOUNTS							Exhibit A
ACNA	BAN	BILL DATE	INVOICE	DUE BY	PAST DUE	CURRENT	
IABS ACCOUNTS							
NRI	206 R81-0038 038	04/07/05	05097-WA	05/07/05		\$ 6,891.81	
		02/07/05	05038-WA	03/07/05	\$ 7,056.51		
		01/07/05	05007-WA	02/07/05	\$ 6,970.19		
NRI	509 R81-0008 008	04/07/05	05097-WA	05/07/05		\$ 56,050.55	
		02/07/05	05038-WA	03/07/05	\$ 29,910.69		
		01/07/05	05007-WA	02/07/05	\$ 31,473.34		
NRI	509 R81-7012 012	04/07/05	05097-WA	05/07/05		\$ 11,474.70	
		03/07/05	05066-ID	04/07/05	\$ (53.15)		
		02/07/05	05038-WA	03/07/05	\$ 11,968.59		
		01/07/05	05007-WA	02/07/05	\$ 11,824.73		
NRI	541 R81-0033 033	04/07/05	05097-OR	05/07/05		\$ 2,377.10	
		02/07/05	05038-OR	03/07/05	\$ 2,343.78		
		01/07/05	05007-OR	02/07/05	\$ 2,325.48		
NRIL	206 L08-0024 024	04/07/05	05097-WA	05/07/05		\$ 34.14	
		02/07/05	05038-WA	03/07/05	\$ 34.14		
		01/07/05	05007-WA	02/07/05	\$ 34.14		
NRIL	509 L08-0007 007	04/07/05	05097-WA	05/07/05		\$ 2,805.62	
		02/07/05	05038-WA	03/07/05	\$ 5,334.12		
		01/07/05	05007-WA	02/07/05	\$ 5,334.12		
IABS TOTALS					\$ 114,556.68	\$ 79,633.92	
DISPUTES					\$ -	\$ -	
TOTAL PAST DUE					\$ 114,556.68	>>>>>>>>	

DEPOSITORY ESCROW AGREEMENT

Account Number 789689000

Effective Date _____

The parties to this Depository Escrow Agreement ("Agreement") are U. S. Bank National Association as Depository Agent (hereinafter, "Depository Agent"), Northwest Telephone, Inc. (hereinafter, "NTI"), and Qwest Corporation (hereinafter, "Qwest"). NTI and Qwest are sometimes referred to herein collectively as the "Parties".


In accordance with the terms of a Payment Agreement For Certain Disputed Charges between NTI and Qwest, , NTI wishes to place in trust funds as identified on **Schedule A** which is incorporated by reference herein (hereinafter, the "Depository Funds"). The Depository Agent shall hold and distribute such funds in accordance with the instructions of NTI and Qwest, subject to the terms identified in this Agreement and the Special Instructions in **Schedule B** which is incorporated by reference herein.

The Depository Agent, NTI, and Qwest agree as follows:

1. This Agreement may be altered, amended, modified or revoked only in writing, signed by the NTI and Qwest and approved by the Depository Agent, upon payment of all additional fees and expenses of the Depository Agent, if any.
2. No assignment, transfer or conveyance or hypothecation of any right, title or interest in the subject matter of this Agreement shall be binding upon the Depository Agent unless notice is served by NTI or Qwest, as applicable, upon the Depository Agent and all additional fees and expenses of the Depository Agent incident to the transfer of the interest have been paid.
3. Any notice will be given by mailing, via first class mail, postage prepaid, or by facsimile promptly followed by mailing such notice via first class mail, postage prepaid, to the addresses and/or facsimile numbers provided in this Agreement. Notice shall not be deemed given until actually received by an employee of the Depository Agent working in the Trust and Financial Services Department. All such notices, including deposits, to the Depository Agent must contain the account number, as set out above.
4. The Depository Agent shall not be liable for any act it may do or omit to do as agent, while acting timely, in good faith and in the exercise of its own best judgment. Any act done or omitted by the Depository Agent on the advice of its own attorneys shall be deemed presumptively to have been done or omitted in good faith. The Depository Agent shall have the right at any time to consult with counsel on any question arising under this Agreement. The Depository Agent shall incur no liability for any delay reasonably required to obtain the advice of counsel.
5. The Depository Agent is authorized to rely on the apparent authority and identity of the representative of NTI or Qwest, as applicable, executing or delivering these instructions or any notices, documents or papers given, deposited or called for under this Agreement.

Qwest Concurrence:




NTI Concurrence: 

6. The Depository Agent shall not be a party to and shall not be bound by any agreements related hereto other than this Agreement. Furthermore, the Depository Agent shall have no duty to know or determine the performance or nonperformance of any provision of any agreement that exists between NTI and any other third parties including Qwest. The Depository Agent assumes no responsibility for the validity, accuracy, or sufficiency of any documents, papers, securities or payments deposited or called for under this Agreement except as may be expressly and specifically set forth in **Schedule B**.
7. Depository Agent is hereby directed to deposit and invest the Depository Funds in an interest bearing U.S. Bank Money Market Savings Account. The Parties acknowledge that the U. S. Bank money market accounts are U. S. Bank National Association deposit accounts designed to meet the needs of global escrow and other corporate trust customers of U. S. Bank National Association. The accounts pay competitive variable interest rates, which are determined based upon the customer's aggregated balance. Each customer's deposit is insured by the Federal Deposit Insurance Corporation. Interest rates currently offered on the accounts are determined at U. S. Bank's direction and may change daily. U. S. Bank National Association uses the daily balance method to calculate interest on these accounts. This method applies a daily periodic rate to the principal in the accounts each day of the month and dividing that figure by the number of days in the period. Interest on customer deposits begins to accrue on the business day funds are credited to the U.S. Bank deposit account. Interest is compounded on a monthly basis. The owner of the accounts is U. S. Bank National Association as agent for its customers. All account deposits and withdrawals are performed by U. S. Bank National Association. Any and all interest earned on the Depository Funds after the deposit shall be added to the Depository Funds and shall become a part thereof. Depository Agent shall thereafter hold, maintain and utilize the Depository Funds pursuant to the terms and conditions of this Agreement. NTI or Qwest, as applicable, shall provide Depository Agent with a W-9 or W-8 IRS tax form prior to the disbursement of interest and Depository Agent will file the appropriate 1099 or other required forms pursuant to Federal and state laws. A statement of citizenship will be provided if requested by Depository Agent. Depository Agent shall not be responsible for maximizing the yield on the Depository Funds. Depository Agent shall not be liable for losses, penalties or charges incurred upon any sale or purchase of any such investment.
8. In order to comply with IRS reporting requirements, the Depository Agent is hereby directed to allocate interest earned on deposits to NTI unless otherwise set out in **Schedule B**.
9. The Depository Agent is expressly authorized to disregard any and all notices or warnings given by any other person or entity, except orders or process of a court, with or without jurisdiction. The Depository Agent is expressly authorized to comply with and obey any and all court orders, judgments or decrees. The Depository Agent shall not be liable to NTI or Qwest or to any other person or entity by reason of compliance with any court order, notwithstanding that such order, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated, or found to have such been entered without jurisdiction. Depository Agent shall undertake to provide a copy of any order, process, judgment or decree promptly to each of the Parties.
10. The Depository Agent may resign at any time by giving written notice to NTI and Qwest pursuant to Section 3 hereof. Resignation shall be effective 30 days after such notice has been (i) deposited in the mail or, (ii) in the event of initial facsimile transmission, upon the sending of facsimile. If a successor agent has not been appointed within such 30 day period, the Depository

Qwest Concurrence:



NTI Concurrence: 

Agent may petition any court of competent jurisdiction or may interplead NTI and/or Qwest in a proceeding for the appointment of a successor Depository Agent, and all fees, including but not limited to extraordinary fees associated with the filing of interpleader, and expenses associated therewith shall be payable by NTI and/or Qwest as determined by the court.

11. Any company into which the Depository Agent may be merged or with which it may be consolidated, or any company to whom the Depository Agent may transfer a substantial amount of its Corporate Trust business, shall be the Successor to the Depository Agent without the execution or filing of any paper of NTI or Qwest, anything herein to the contrary notwithstanding.
12. NTI and Qwest agree to indemnify and hold harmless the Depository Agent for any liability, excepting only gross negligence or willful misconduct, incurred to any other person or entity by reason of having accepted the Depository Funds, and to reimburse all expenses, including, among other things, attorney fees and court costs.
13. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document. This Agreement shall become effective on the date (the "Effective Date"), following execution by both Parties, when it is accepted and signed by Depository Agent, who shall insert the date on the first page hereof and provide a full executed copy to each of the Parties.
14. If the Depository Funds are not withdrawn on or before **December 31, 2006**, the Depository Agent is instructed to release and then distribute the Depository Funds held hereunder to Qwest. Upon release of the Depository Funds, the Depository Agent shall be relieved of all liability arising under this Agreement.
15. Depository fees for the performance of ordinary duties shall be billed one-half (1/2) to NTI and one-half (1/2) to Qwest, and shall be:

(a) Setting up Fees:	(b) Annual Fee (payable in advance, or any portion thereof)	(c) Miscellaneous
\$ 500 _____	\$ _____	\$ _____
16. The parties hereto hereby agree not to use the name of U.S. BANK NATIONAL ASSOCIATION to imply an association with the transaction other than that of a legal depository agent.
17. The parties acknowledge that to the extent regulations of the Comptroller of Currency or other applicable regulatory entity grant a right to receive brokerage confirmations of security transactions of the escrow, the parties waive receipt of such confirmations, to the extent permitted by law. The Escrow Agent shall furnish a statement of security transactions on its regular monthly reports.

Qwest Concurrence:



NTI Concurrence: *adn*

IN WITNESS WHEREOF, the undersigned have affixed their signatures and hereby adopt as part of this Agreement **Schedule A** and **Schedule B** which are incorporated by reference.

Northwest Telephone, Inc.

Qwest Corporation

By: Andrew D. Metcalfe

By: Rahn K. Porter

Andrew D. Metcalfe – President and CE

Rahn K. Porter – VP Finance

(Name and Title)

and Asst. Treasurer

(Name and Title)

TWS

250 East Penny Road
(Address)

1801 California Street, Room 4320
(Address)

Wenatchee, WA 98801
(City, State and Zip Code)

Denver, CO 80202
(City, State and Zip Code)

509.661.2000
(Telephone)

303-896-0263
(Telephone)

509.662.2020
(Telecopy Number)

303-965-4642
(Telecopy Number)

Tax I.D. 91-1953161

Tax I.D. 84-0273800

U. S. BANK NATIONAL ASSOCIATION
as Depository Agent

By: [Signature]
Vice President

Notices to Depository Agent shall be sent to:

U.S. Bank Corporate Trust Services
60 Livingston Avenue
EP-MN-WS3T
St. Paul, MN 55107-2292
Attn: Olaleye Fadahunsi
(651) 495-3726
(651) 495-8087 (fax)

With copy to: Dawnita Ehl at (206) 344-4630
(phone 206-344-4685)

Qwest Concurrence: [Signature]

NTI Concurrence: [Signature]

"SCHEDULE A"
(Deposits)

Within seven (7) days of the Effective Date of the Depository Escrow Agreement, NTI shall deposit the amount of One Hundred Fourteen Thousand Five Hundred Five Six and Sixty-Eight/100 Dollars (\$114,556.68) and thereafter from time to time may deposit additional amounts.

Qwest Concurrence:



NTI Concurrence:



"SCHEDULE B"
(Special Instructions for Release of Depository Funds)

- 1) If within ninety (90) days of the Effective Date of the Depository Escrow Agreement, NTI has not certified to the Depository Agent that NTI has initiated a formal action before the Washington Utilities and Transportation Commission ("WUTC") or other state or federal agency, then Qwest shall so inform the Depository Agent in writing of this lack of certification, which shall thus trigger the Depository Agent's obligation to release to Qwest all Depository Funds within two (2) days of Qwest's written notification thereof.
- 2) If within ninety (90) days of the Effective Date of the Depository Escrow Agreement, NTI has certified to the Depository Agent that NTI has initiated a formal action before the WUTC or other state or federal agency, then the Depository Agent shall continue to hold the Depository Funds until such time as Qwest and NTI jointly issue directions to the Depository Agent for distribution of the Depository Funds, subject to the time limit set forth in Paragraph 14 of the Depository Escrow Agreement.
- 3) Provided, however, that any such instructions from Qwest shall only be effective if such instructions are executed on behalf of Qwest by both Rahn K. Porter and Steve Hansen, or their successors. Escrow Property shall be disbursed in accordance with such instructions by wire transfer to the recipient's account set forth below.

Account Name: Qwest Corporation
Account #: 0916086
Bank Name: Mellon Bank Pittsburgh, 500 Ross Street, Pittsburgh, PA
15262-0001
Bank Rtg./ABA #: 043000261

Qwest Concurrence:



NTI Concurrence: 