

- a. For any year in which the conditions in 6.a.i or 6.a.ii are triggered, United will provide a report to Staff and Public Counsel at the end of United's fiscal year. The report shall contain United's operating expenses and identify: (1) any expense in which there has been a percentage increase of more than five percent from the prior year ("expense increase") and (2) any new operating expenses not previously paid by United in the last five years ("new expense"). If United reports an expense increase or a new expense, United shall explain the expense increase or new expense. Staff or Public Counsel may request that United perform a value study for the particular expense or expenses at issue. This requirement exceeds United's current reporting obligations; however, United agrees to continue to comply with the applicable Commission rules.
- b. For any fiscal quarter when the conditions in 6.a.i or 6.a.ii are triggered, United will provide a report that reconciles the cash management activities performed on a centralized basis by LTD on behalf of United. The reconciliation will demonstrate that intercompany receivable and payable accounts in the United financials properly recognize the sources and uses of cash that are attributable to United along with the effect of the dividend restrictions as described in 6.a.
- c. United will limit payment of dividends on common equity in any year to an amount not more than 100% of the net income of United in the prior fiscal year. The parties agree that this provision does not require United to pay its entire net income as a dividend and does not constitute support by any party or the Commission of a practice of routinely paying all net income as dividends.
- d. The conditions in sections 6.a, 6.b, 6.c and 6.d. shall be in effect for not less than four years after the close of the separation transaction unless United is classified as a competitive telecommunications company in Washington under RCW 80.36.320. After expiration of the four-year period or upon classification as a competitive telecommunications company, United may petition the UTC to remove or modify the conditions in these sections. In any such petition, United must demonstrate that the conditions are not necessary to maintain the financial integrity of United and not necessary to protect the customers of United. If neither condition 6.a.i. nor condition 6.a.ii., existed at any time during the four years prior to the petition, the burden of demonstrating the continuing need for the conditions will be on Staff and Public Counsel.