EXHIBIT C

Docket No. P421/CI-01-1371
WCD-13
Affidavit and Exhibits of Blake Fisher

Contains Trade Secret Information

AFFIDAVIT OF BLAKE O. FISHER

1. My name is Blake Fisher. I retired in May 2002 from McLeodUSA where I held a variety of senior executive positions, including, at relevant times, Regional President for the Western Region as well as Group Vice President and Chief Planning and Development Officer. I now live in Park City, Utah.

2. This affidavit explains the circumstances surrounding the negotiation and implementation of an agreement with Qwest Corporation ("Qwest") to provide McLeodUSA with volume pricing for all purchases made by McLeodUSA from Qwest. The events described in my affidavit took place when I worked for McLeodUSA.

3. I was McLeodUSA's lead negotiator for the negotiations that resulted in a series of agreements, including the volume purchase agreement. Initially, I was negotiating with John Kelley at U S WEST. Later I was negotiating with my counterpart at Qwest, Greg Casey. Following the merger with U S WEST, Mr. Joe Nacchio, Qwest's CEO attended a meeting in Cedar Rapids, Iowa, where, among other things, the possibility of volume pricing was discussed. I also attended that meeting. Qwest representatives at that meeting informed us that they were meeting with many of Qwest's large customers. They also told us that Qwest intended to treat us as a large customer. Mr. Nacchio explained that Mr. Casey was responsible for our wholesale relationship with Qwest. Mr. Casey told me that Mr. Nacchio had to give final approval to any significant transactions between Qwest and McLeodUSA.

4. The U S WEST negotiating team, and later the Qwest negotiating team, also included Audrey McKenney, who reported to Mr. Casey, and Arturro Ibarra, who reported to Ms. McKenney. Stephen Davis was occasionally involved in the negotiations, particularly when the topic turned to regulatory matters.

5. The McLeodUSA negotiating team included Jim Balvanz, who was a Vice President of Finance and Stacey Stewart, who was a Vice President of ILEC Relations and Performance Measurements at the time. This is the same team that had negotiated with U S WEST before the merger. Once Mr. Casey and I negotiated broad agreement parameters, the other members of our teams would work on negotiating the details of the agreements.

6. The genesis of the agreements that include the volume pricing occurred well before the Qwest / U S WEST merger. Prior to the passage of the Telecommunications Act of 1996, McLeodUSA purchased Centrex Common Blocks from U S WEST under various state retail tariffs and re-sold the services to our customers. On the eve of the signing of the Telecommunications Act of 1996, U S WEST withdrew its offering of Centrex Common Blocks to new customers in all of its 14 states. McLeodUSA sought state regulatory action to stop or reverse U S WEST's unilateral withdrawal of its wholesale Centrex product. We were largely successful in these regulatory cases in retaining our right to resell U S WEST's Centrex product. McLeodUSA continued reselling U S WEST (and then Qwest) Centrex products in those states in which our right to resell the product was upheld. We also began reselling1FR and 1FB under the resale provisions of the Telecommunications Act. Later, we began to avail ourselves of UNE-Platform products.

7. Financially, the Centrex Common Block products and the subsequent resale products would not work for McLeodUSA over the long term. The margins on both forms of resale were too thin to sustain and grow the company.

8. Before the merger, we approached U S WEST and told them that we wanted to convert all of our customers to UNE-P which had much better margins. U S WEST said that we could not just convert our customers – that there would be a lot of work and cost involved – and that the conversion would be difficult and time consuming.

9. I explained to U S WEST that all we really wanted to do was to leave our customers on the same lines that they currently had, with the same features, but to get the best pricing available. At the time that was UNE-P pricing and we told U S WEST we were entitled to such pricing for the services we were using.

10. U S WEST responded that it believed it could provide McLeodUSA with an acceptable product at pricing that worked across its region, so we began negotiating the parameters of the product and its pricing.

11. Prior to the Qwest / U S WEST merger, we were unable to agree on pricing that made economic sense for McLeodUSA. After the merger, however, Qwest expressed a desire to improve its relationship with McLeodUSA as a customer. Joe Nacchio indicated at the meeting in Cedar Rapids referenced above that Qwest recognized competition was developing in its local markets. Therefore, Qwest intended to strengthen its wholesale business and relationships with its wholesale customers. Specifically, Qwest indicated that it hoped to find a way to make it economically and operationally attractive to keep our traffic on Qwest's network if possible.

12. The result of our continued negotiations was a product that Qwest calls UNE-M or UNE Star. UNE-M was intended to be a flat-rated, UNE platform product that allowed us to convert our resold Centrex lines directly to UNE-M lines. As we continued to discuss pricing, however, it was clear that the pricing Qwest offered was not good enough for McLeodUSA to warrant keeping our traffic on Qwest's network.

13. When we pointed this out to Qwest, the concept of Qwest providing McLeodUSA with improved pricing on all of our purchases – based on volume commitments – was developed during our negotiations. I do not now recall whether Qwest or McLeodUSA first proposed the idea, but it became a central component of the agreements we were discussing.

14. After substantial negotiations with U S WEST first, and then with Qwest, Qwest agreed to provide McLeodUSA the benefit of volume pricing on all of McLeodUSA's purchases from Qwest. The volume pricing applies to all products and services purchased by McLeodUSA from Qwest, including access, wholesale long distance, capacity trunking, private line, unbundled network elements ("UNEs"), collocation, resale services, and tariffed products and services. The volume pricing applies to all purchases made by McLeodUSA from Qwest inside and outside of Qwest's 14-state ILEC territory.

15. As a result of our negotiations, McLeodUSA and Qwest entered into a number of written agreements between September 19, 2000 and October 26, 2000, including three that are essential to understanding the volume pricing:

a. Purchase Agreement signed October 26, 2000 and effective October 2, 2000 covering purchases by McLeodUSA from Qwest (the "McLeodUSA Purchase Agreement").

b. Purchase Agreement signed October 26, 2000 and effective October 2, 2000 covering purchases by Qwest from McLeodUSA (the "Qwest Purchase Agreement").

c. The 8th Amendment to the McLeodUSA/Qwest interconnection agreement.

16. The 8th Amendment to the McLeodUSA interconnection agreement with Qwest set out the terms and conditions for the UNE Star product, including state-specific flat rate pricing negotiated by Qwest and McLeodUSA.

17. The McLeodUSA Purchase Agreement is a take or pay agreement. That is, McLeodUSA committed to purchase a specified volume of products from Qwest during specified time periods. If McLeodUSA fails to make the requisite purchases, it is still obligated to pay Qwest the difference between the dollar amount of purchases it actually made and the minimum commitment amount in the purchase agreement. In Year 1 of the contract (ending on December 2001), the commitment was **[TRADE SECRET BEGINS]**$150,000,000**[TRADE SECRET ENDS]**. By the end of 2002, the cumulative commitment is **[TRADE SECRET BEGINS]**$310,000,000**[TRADE SECRET ENDS]** and, by the end of 2003, it is **[TRADE SECRET BEGINS]**$480,000,000**[TRADE SECRET ENDS]**. We believed we could exceed these commitments and shared that view with Qwest. Exhibit 1 is a true copy of the McLeodUSA Purchase Agreement, which was entered into by McLeodUSA and kept by it in the normal course of business.

18. The Qwest Purchase Agreement is also a "take or pay" agreement. In addition, Qwest orally agreed to increase its commitment to give McLeodUSA a volume purchase discount of up to 10%, to provide an incentive for additional purchases under the McLeodUSA Purchase Agreement. In order to obtain a higher percentage, McLeodUSA had to increase its purchases.

19. The percentage reduction depends on the volume of purchases by McLeodUSA from Qwest. The table below shows generally out how the volume pricing works:

October 2000 through December, 2001		2002		2003	
Aggregate Purchases	Percentage Reduction	Aggregate Purchases	Percentage Reduction	Aggregate Purchases	Percentage Reduction
[TRADE SECRET BEGINS] 178-188**[TRADE SECRET ENDS]** **[TRADE SECRET BEGINS]** $189-199m**[TRADE SECRET ENDS]**	6.5% 8%	**[TRADE SECRET BEGINS]** $199-230m**[TRADE SECRET ENDS]**	8%	**[TRADE SECRET BEGINS]** $199-250m**[TRADE SECRET ENDS]**	8%
[TRADE SECRET BEGINS] > $199m**[TRADE SECRET ENDS]**	10%	**[TRADE SECRET BEGINS]** > $230m**[TRADE SECRET ENDS]**	10%	**[TRADE SECRET BEGINS]** > $250m**[TRADE SECRET ENDS]**	10%

20. The volume pricing is applied to every purchase made by McLeodUSA, not just the purchases above the minimum. So, for example, if McLeodUSA spends **[TRADE SECRET BEGINS]**$200,000,000**[TRADE SECRET ENDS]** with Qwest in 2002 it

will be entitled to a **[TRADE SECRET BEGINS]**$16**[TRADE SECRET ENDS]** million payment, calculated by multiplying 8% times every dollar spent. If McLeodUSA spends **[TRADE SECRET BEGINS]**$250,000,000**[TRADE SECRET ENDS]** with Qwest, then it will be entitled to receive **[TRADE SECRET BEGINS]**$25**[TRADE SECRET ENDS]** million, calculated by multiplying 10% times every dollar spent. If McLeodUSA purchases fall below certain levels, there is no guaranteed payment.

21. I asked Qwest how I could be sure that it would live up to its agreement to provide the discount if McLeodUSA signed the Purchase Agreement. Qwest responded by suggesting a mechanism to guarantee that McLeodUSA would receive a payment of at least a portion of the agreed-to discount each year in return for its minimum purchase requirements, that increased over time.

22. That mechanism suggested by Qwest is the combination of the Qwest and McLeodUSA Purchase Agreements. The Qwest Purchase Agreement requires Qwest to purchase **[TRADE SECRET BEGINS]**$15.84**[TRADE SECRET ENDS]** million in products from McLeodUSA in 2001, **[TRADE SECRET BEGINS]**$18.32**[TRADE SECRET ENDS]** million in products in 2002, and **[TRADE SECRET BEGINS]**$19.92**[TRADE SECRET ENDS]** million in products in 2003.

23. The Qwest Purchase Agreement identifies products offered by McLeodUSA. We did not discuss any specific products that Qwest would purchase from McLeodUSA. Thus, McLeodUSA viewed the Qwest Purchase Agreement as a mechanism to insure that McLeodUSA would receive some, if not all, of the benefit it was entitled to

under the oral volume pricing agreement. The commitment amounts in the Qwest Purchase Agreement were calculated by applying an 8% volume discount percentage (from Qwest and McLeodUSA's oral agreement) to the maximum McLeodUSA projected expenditures for that percentage.

24. Another component to completing the transaction that gave McLeodUSA access to UNE-M and the purchase volume pricing was McLeodUSA's agreement to remain neutral regarding Qwest's Section 271 application. Qwest made it clear to me that for Qwest to enter into the UNE-M and volume pricing arrangements, McLeodUSA had to agree to remain neutral on Qwest's Section 271 applications. McLeodUSA agreed to remain neutral provided Qwest complied with all of our agreements and with all applicable statutes and regulations.

25. Exhibit 2 to this affidavit is a true copy of a document titled "Outline of Major Terms" and dated September 19, 2000. This document was created jointly by Qwest and McLeodUSA at the September 19, 2000 meeting. It is an accurate description of the terms that had been discussed between the parties as of that date, including the terms hammered out during an all-day negotiation session.

26. Exhibit 3 to this affidavit is a true copy of an e-mail I sent to Jim Balvanz, who forwarded it to Stacey Stewart on October 23, 2000. Attached to Mr. Balvanz's e-mail is an October 21, 2000 e-mail from Audrey McKenney to Mr. Balvanz, Randall Rings (McLeodUSA's General Counsel) and me. Ms. McKenney's e-mail included the attachment printed out on the second page of Exhibit __. Exhibit __ was received and kept by me in the ordinary course of business.

27. The second page of Exhibit 3 is an Excel spreadsheet prepared by Qwest showing Qwest's counterproposal to a volume pricing proposed by McLeodUSA during the negotiations discussed above. In this spreadsheet, Qwest proposed a discount rate ranging from 6.5% to 10%.

28. Exhibit 4 to this affidavit is a true copy of an e-mail found by McLeodUSA in Mr. Balvanz's files in the course of responding to information requests from the Department of Commerce. Mr. Balvanz no longer works with McLeodUSA. I was copied on this e-mail.

29. Exhibit 4 contains five questions asked of Mr. Balvanz by Gary Dupler, then our Group Vice President of Network Development, and Mr. Balvanz's handwritten responses to those questions. The questions all relate to the discount agreement with Qwest. At the time, Mr. Dupler was responsible for network planning at McLeodUSA. I have read through each of the questions and responses on Exhibit 4. I am familiar with Mr. Balvanz's handwriting and recognize the handwriting on Exhibit 4 to be his. Based on my personal knowledge, Mr. Balvanz's handwritten responses to each question are accurate and correct.

I declare under penalty of perjury under the laws of the United States of America and the state of Minnesota that the foregoing is true and correct.

Further affiant sayeth not.

Signed this ___ day of June, 2002

____
Blake O. Fisher

Signed before me this ____ day of June, 2002.

____
Notary Public

Docket No. P421/CI-01-1371

Exhibit #1

Contains Trade Secret Information

SUBJECT TO RULE OF EVIDENCE 408

18

Purchase Agreement

[Trade Secret Data Begins

This Purchase Agreement ("PA") is made and entered into by and between McLeodUSA Telecommunications Services, Inc. and its subsidiaries and affiliates ("McLeodUSA") and Qwest Communications Corp. and its subsidiaries ("Qwest") (collectively, the "Parties") effective on the 2nd day of October, 2000.

The Parties have entered in to enter into this PA 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 PA is entered into between the Parties based on the following conditions, which are a material part of this agreement:

1.1 This PA shall be binding on Qwest and McLeodUSA and each of their respective subsidiaries, affiliated corporations, successors and assigns.

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

1.3 The Parties, intending to be legally bound, have executed this PA effective as of October 2, 2000, in multiple counterparts, each of which is deemed an original, but all of which shall constitute one and the same instrument.

1.4 Unless terminated as provided in this section, the initial term of this PA is from the date of signing until December 31, 2003 ("Initial Term") and this PA shall thereafter automatically continue until either party gives at least six (6) months advance written notice of termination. This is Amendment can only be terminated during the Initial Term, or at any time thereafter, in the event of:

1.4.1 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;

1.4.2 a material change in the telecommunications industry pricing structure that is so adverse to McLeodUSA so as to make this PA useless; or

1.4.3 a termination of that certain Purchase Agreement with a like effective date pursuant to which McLeodUSA purchases Products (defined below) from Qwest.

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

1.6 If either party's performance of this PA or any obligation under this PA 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, strike or work stoppage or vendor failures, cable cuts ,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").

1.7 Without the prior written consent of the other party and except as set forth below or to the extent required by law, neither party will disclose to any person the existence or content of this agreement, or material terms of the agreement. In the event that either party concludes that disclosure is required by applicable law, including but not limited to the regulations of the Securities and Exchange Commission, such party will provide the other party with prompt notice thereof and an opportunity to comment on such disclosure prior to such disclosure and such party will disclose only the information that, in the opinion of its counsel, it is required by such law to disclose. In the event that either party or any of its Representatives is required by a governmental authority or in connection with a legal proceeding or pursuant to legal process to disclose any of the Evaluation Material with respect to which such party is the receiving party or any other matter referred to in the immediately preceding paragraph, it is agreed that such party will provide the other party with prompt notice of each such request or requirement so that such other party may seek promptly an appropriate protective order or other appropriate remedy and/or waive compliance by such party subject to such request or requirement with the provisions of this PA and the party giving notice shall use its commercially reasonable efforts to assist the party seeking protection. In the event that such protective order or other remedy is not obtained promptly, such party subject to such requirement may furnish that portion (and only that portion) of the PA or other information with respect to such matter that, in the opinion of its counsel, it is legally compelled to disclose and will exercise its commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded any information so furnished. The term "person" as used in this Agreement shall be broadly interpreted to include without limitation any corporation, company, partnership, organization, bank, group, individual or other entity.

1.8 Neither party will present itself as representing or jointly marketing services with the other, or market its services using the name of the other party, without the prior written consent of the other party.

2. In consideration of the agreements and covenants set forth above and the entire group of covenants provided in section 3, McLeodUSA agrees to purchase from Qwest, or one of its affiliate corporations, during the Initial Term of this PA, at least $480 million worth 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"), at prices previously quoted by Qwest, including but not limited to, on any products or updated products for wholesale long distance services purchased, the highest discount level available for that product, subject to the terms of this section 2.

2.1 Subject to the provisions of this section 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 Subject to the provisions of this section 2, from January 1, 2001 through December 31, 2002, McLeodUSA will purchase a cumulative 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.

2.3 Subject to the provisions of this section 2, From January 1, 2001 through December 31, 2003, McLeodUSA will purchase a cumulative 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.

2.4 The minimum purchase requirements provided above shall be changed proportionally, but in no event to exceed $480 million in the cumulative aggregate, if the following occur to a material degree:

2.4.1 A reduction in the rates for any of the Products.

2.4.2 Products are no longer offered without adequate substitution.

2.4.3 Any sale of current Qwest exchanges where McLeodUSA is doing business.

2.4.4 Delays in the delivery of an ordered Product that cause McLeodUSA difficulty in meeting its minimum commitments.

2.4.5 Release, sale, transfer or relinquishment of any current collocation back to Qwest by mutual agreement.

2.4.6 McLeodUSA's business is prevented, restricted or interfered with by a Force Majeure as described in section 1.7.

2.4.7 Changes in technology eliminating the need for certain services provided by Qwest, provided Qwest has the right of first refusal to provide the technology.

2.5 The Parties will meet to discuss all proposed changes in requirements or payments pursuant to this section 2, and will resolve any disputes pursuant to Escalation Procedures to be developed by the Parties, before any payment or change in requirement is made.

2.6 The take or pay purchase requirements of this section are specifically conditioned on the rates offered for the Products as of the date of this PA remaining in effect at levels no higher than the rates quoted.

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 make the Products available for purchase by McLeodUSA at such rates and on such terms and conditions as agreed.

[Remainder of page intentionally blank]

SUBJECT TO RULE OF EVIDENCE 408

Trade Secret Data Ends]

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

McLeodUSA Telecommunications Services, Inc.	**Qwest Communications Corp.**
Authorized Signature	Authorized Signature
Blake O. Fisher, Jr. Name Printed/Typed	Name Printed/Typed
Group Vice President Title	Title
October 26, 2000 Date	October 26, 2000 Date

H:QwestQTOP102500

NONPUBLIC DOCUMENT

CONTAINS TRADE SECRET DATA

SUBJECT TO RULE OF EVIDENCE 408

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

McLeodUSA Telecommunications Services, Inc.

Authorized Signature

Blake O. Fisher, Jr.
Name Printed/Typed

Group Vice President
Title

October 26, 2000
Date

Qwest Communications Corp.

Authorized Signature

GREGORY M. CASEY
Name Printed/Typed

EXEC. V.P.
Title

October 26, 2000
Date

H:QwestQTOP102500

NONPUBLIC DOCUMENT

CONTAINS TRADE SECRET DATA

Docket No. P421/CI-01-1371

Exhibit #2

Contains Trade Secret Information

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.

Docket No. P421/CI-01-1371

Exhibit #3

Contains Trade Secret Information

From: James T. Balvanz on 10/23/2000 09:39 AM
To: Stacey D. Stewart/MCLEOD@MCLEOD
cc:
Subject: Another proposal - with attachments

---------------------- Forwarded by James T. Balvanz/MCLEOD on 10/23/2000 09:43 AM ---------------------------

Blake O. Fisher
10/21/2000 04:19 PM

To: James T. Balvanz/MCLEOD@MCLEOD
cc:
Subject: Another proposal - with attachments

Jim,
I have agreed to this. We will be having additional conversations about DSL and Voice Mail after this agreement is signed.
I concluded we couldn't get anymore right now, but I think if we can find out of region stuff we have a great opportunity to get more. Please give me a call at 435-658-3338.
---------------------- Forwarded by Blake O. Fisher/MCLEOD on 10/21/2000 03:21 PM ---------------------------

Audrey McKenney <axmcken@uswest.com> on 10/21/2000 02:46:46 PM

To: Randall E. Rings/MCLEOD@MCLEOD, Blake O. Fisher/MCLEOD@MCLEOD, James T. Balvanz/MCLEOD@MCLEOD
cc:
Subject: Another proposal - with attachments

Hi Folks - Here's the proposal with the attachment.

Thanks Audrey

- 10_21_00 Qcounter.xls

QWEST COUNTERPROPOSAL

Mutual Preferred Vendor Plan

	2000	2001	2002	2003	Total 2001-2003
McLeod to Qwest - Before Split Rock / other acquistions					
Projected Growth Rate	0%	28%	24%	17%	
"Base"/Projected revenue	155	198	246	288	732
Preferred Vendor -- "Take or Pay"	-	**150**	**160**	**170**	**480**
% of Projected Revenue		76%	65%	59%	66%

Qwest to McLeod

Preferred Vendor -- "Take or Pay" commitment ranges

Minimum for discount to apply

$M's

	2001 Based on McLeod's Proposal to Qwest			
Tier 1				
Revenue ranges		178-188	Over 199	Over 199
Discount Rate		6.5%	8.0%	8.0%
Tier 2				
Revenue ranges		189-198	Over 230	Over 250
Discount Rate		8.0%	10.0%	10.0%
Tier 3				
Revenue ranges		over 199		
Discount Rate		10.0%		

The above level is an interim default level. Both Parties agree to negotiate final rates based on market conditionson an annual basis and for the integration of Split Rock / other acquistions.

Attorney Client Privilege

~0015547.xls Sheet3 5/23/02 3:06 PM DEH

For Discussion Purposes Only. Data Exchanged Between The Parties Does Not Constitute Offers. Qwest Reserves The Right to Revise/Supplement Any Term or Condition Contained Herein

CONFIDENTIAL

Docket No. P421/CI-01-1371

Exhibit #4

Contains Trade Secret Information

From: James T. Balvanz on 03/01/2001 06:08 AM
To: Gary E. Dupler/MCLEOD
cc:
Subject: Re: Qwest agreement

From: Gary E. Dupler on 02/28/2001 02:24 PM

CONFIDENTIALITY - only people who should know. Assume add'l 8.0% DISCOUNT (min)

From: Gary E. Dupler on 02/28/2001 02:24 PM
To: James T. Balvanz/MCLEOD@MCLEOD
cc: Roy A. Wilkens/MCLEOD@MCLEOD, Eric W. Wilkens/MCLEOD@MCLEOD, Howard W. Vernon/MCLEOD@MCLEOD, Todd M. Lechtenberg/MCLEOD@MCLEOD, Tami J. Spocogee/MCLEOD@MCLEOD, Blake O. Fisher/MCLEOD@MCLEOD, jbarnett@splitrock.net@MCLEOD, Lori A. Coventon/MCLEOD@MCLEOD, Larry C. Littlefield/MCLEOD@MCLEOD, Jay D. Gulick/MCLEOD@MCLEOD
Subject: Qwest agreement

Jim,

i have the following questions related to the subject agreement and am copying a limited number of individuals with the understanding that this is considered highly confidential information. As i understand it there is a 6-10% additional discount on the prices we pay for all qwest services. As such i need to understand and all of those copied need to understand at least the following:

1)How and under conditions does this discount apply?

1. We need to spend 150M, 160M, 170M in 2001, 2002, 2003.
2. Then there is a chart YR1 up to 200M = 8% DISC 200M+ = 10% RR Today = 210M
YR2 230 8% 230M+ = 10% 15% growth
YR3 250 8% 250M+ = 10% 9% growth
3. Calculated based on 90% UNE by YE2002 + add'l 700 CO's + 25% growth > 3 yrs in IXC

2)Are you sure that it has already been incorporated in all of our network access budgets? for example how did it get applied to qwest IXC products we buy?

YES, separate line item in SAVINGS document we reviewed a month ago = 18.0M, In reality s/B 200.0M x 10% = 20.0M over the top calculation

3)How do we determine if this discount has been applied to new services we get quotes on from Qwest or do we know that it has not?

- The line people @ Q shouldn't know
- Gregg Casey knows, but he said, "w/sale group will give McL "best available pricing"
- Confidentiality is stressed BY Q. - not be in any contract.
- Planning a 8.0% minimum

4)who makes sure that we are receiving the discount since it is not applied to a specific bill?

Quarterly true-up. Total up all checks to Q + multiply by 10%. We can do since so much is related to local.

5)Are we sure it was included in the CO break-even analysis?
Yes, 10% aggressive gives the 80%? The 20% = .50/line not that material

these are basic questions, that all of us need to understand. Please advise how you wish to handle the response to these either in an email or a meeting. However, i must make sure that at least certain people in the network organization knows this information.

Gary

f/u 3/6

Devtmeyer depo Exh 3

HIS SHEET WAS USED TO CALC M01 10% DISCOUNT THRU MARCI 329,106

Resale

McLeod	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Total
AZ	40,526	61,693	88,617	186,642	220,606	609,280
CO	2,331,360	2,264,292	2,831,109	2,734,062	2,666,961	12,827,824
IA	3,728,823	3,840,069	3,794,023	3,786,691	3,452,971	18,602,196
ID	111,857	139,828	195,667	261,124	329,106	1,037,582
MN	2,345,521	2,409,182	2,340,265	2,426,407	2,333,597	11,857,948
MT	207	198	518	43	251	1,213
ND	706,784	716,621	718,590	723,046	730,457	3,596,897
NE	224,437	292,830	307,461	323,649	307,578	1,455,955
NM	-	14,790	27,660	64,375	100,491	277,317
OR	37,853	53,024	96,462	548,817	163,850	900,006
SD	545,726	543,105	543,178	147,934	553,107	2,328,049
UT	342,739	392,884	535,334	636,255	642,119	2,549,330
WA	78,076	123,174	144,299	278,539	332,978	956,066
WY	848,541	881,904	848,541	881,904	2,484,442	5,945,332
	11,342,107	11,732,992	12,274,820	13,017,408	14,527,735	62,895,061

UNE - NOT INCLUDED FOR REFUND CALC

McLeod	Oct-00	Nov-00	Dec-00	Est Jan-01	Est Feb-01	Total
AZ	3	273	138	138	138	690
CO	54	5,756	2,906	2,906	2,906	14,628
IA	78	8,340	4,214	4,214	4,214	21,068
ID	4	466	235	235	235	1,175
MN	50	5,372	2,686	2,686	2,686	13,430
MT	0	1	0	0	0	1
ND	15	1,614	815	815	815	4,074
NE	6	653	330	330	330	1,649
NM	1	102	51	51	51	257
OR	4	404	204	204	204	1,019
SD	10	1,045	527	577	577	2,837
UT	11	1,144	577	577	577	2,887
WA	4	429	217	217	217	1,083
WY	25	2,669	1,347	1,347	1,347	6,733
	263	28,230	14,246	14,246	14,246	71,232

Collocation

McLeod	Oct 00	Nov 00	Dec 00	Jan 01	Feb 01	Mar 01	Total
AZ	19,828	4,701	12,295	12,295	12,295	12,295	61,474
CO	417,455	100,248	258,851	258,851	258,851	258,851	1,204,257
IA	-	145,373	72,687	72,687	72,687	72,687	363,434
ID	33,766	8,100	20,937	20,937	20,937	20,937	104,086
MN	385,892	97,068	239,780	239,780	239,780	239,780	1,190,402
MT	39	8	24	24	24	24	127
ND	117,054	76,109	72,581	72,581	72,581	72,581	362,907
NE	47,381	11,376	29,380	29,380	29,380	29,380	146,084
NM	7,398	1,776	4,587	4,587	4,587	4,587	22,935
OR	20,791	7,034	18,102	18,102	18,102	18,102	90,812
SD	75,782	18,193	46,977	46,977	46,977	46,977	234,887
UT	82,983	19,873	51,443	51,443	51,443	51,443	257,215
WA	31,113	7,477	19,292	19,292	19,292	19,292	96,402
WY	193,479	46,462	119,970	119,970	119,970	119,970	509,851
	1,441,420	491,516	966,458	966,468	966,468	966,468	4,832,039

TOTAL

McLeod	Oct 00	Nov 00	Dec 00	Jan-01	Feb 01	Total
AZ	60,354	66,656	100,912	200,937	241,003	670,760
CO	2,748,815	2,364,540	2,889,960	2,992,033	3,126,632	14,122,081
IA	3,728,823	3,985,482	3,866,710	3,869,276	3,526,658	18,985,830
ID	145,023	147,937	216,604	282,061	350,043	1,142,268
MN	2,731,414	2,501,630	2,582,541	2,668,887	2,572,678	13,054,350
MT	247	207	542	67	276	1,335
ND	825,838	743,030	791,171	795,627	803,258	3,959,805
NE	271,818	304,208	336,841	353,029	336,957	1,602,852
NM	7,398	16,567	32,247	68,962	105,078	250,252
OR	67,104	60,067	114,724	566,979	182,013	990,877
SD	621,408	561,700	590,158	169,911	600,064	2,562,037
UT	425,701	412,607	586,777	687,698	693,561	2,600,544
WA	107,189	130,646	163,591	298,831	352,270	1,052,627
WY	1,042,020	926,366	968,511	1,001,874	2,604,412	6,545,183
	12,783,526	12,224,508	13,241,788	13,983,876	15,494,702	67,727,400

Trade secret data ends]