

QWEST COMMUNICATIONS CORPORATION

SECTION 272 COMPLIANCE

Conducting Business With Qwest Corporation



Definitions

- Qwest Communications International Inc.: the publicly-traded parent company of all Qwest affiliates
- Qwest Corporation (QC) : formerly known as U S WEST Communications, Inc. QC is the “pre-merger U S WEST” incumbent local exchange carrier and Regional Bell Operating Company (RBOC)
- Qwest Communications Corporation (QCC): the “pre-merger Qwest” operating company and separate 272 affiliate of QC through which Qwest will ultimately provide in-region, interLATA services upon receipt of 271 relief

Section 272 Requirements

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

Section 272 Requirements

Section 272(a) - Separate Affiliate

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

Section 272 Requirements

Section 272(b) - Structural and Transactional

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

Section 272 Requirements

Section 272(b)(1) - Operate Independently

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

Section 272 Requirements

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

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

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

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

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

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

Section 272 Requirements

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

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

Section 272 Requirements

Section 272(c)- Nondiscrimination

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

Section 272 Requirements

Section 272(d) - Biennial Audit

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

Section 272(g) - Joint Marketing Provisions

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

What does Section 272 mean to me?

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

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

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

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

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

Where can I go for more information?

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