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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE
STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF
QWEST COMMUNICATIONS CORPORATION

AGREEMENT REGARDING
ANTI-SLAMMING PRACTICES
TC00-007

INTRODUCTION

1. This Agreement Regarding Voluntary Practices ("Agreement") is entered into between the staff of the State of South Dakota Public Utilities Commission and Qwest Communications Corporation ("Qwest").

2. Qwest is a Delaware corporation with its principal place of business at 555 17th Street, Denver, Colorado. Qwest is engaged in the business of selling interstate and intrastate commercial and residential long distance telecommunications service.

3. On February 3, 2000 the undersigned staff filed a Motion to Assess Fines and Statutory Penalties, docketed as TC00-007, and since that time the parties have met and conferred regarding the issues raised therein.

4. It is expressly agreed and understood that Qwest does not admit to any violation of state or federal law, rule or regulation, wrongdoing, or liability of any kind on its part or on the part of any of Qwest's officers, directors, agents, employees, representatives, independent contractors, marketers, or assigns, nor does this Agreement constitute any finding of any such violations, wrongdoing or liability of any kind on its part or on the part of any of Qwest's officers, directors, agents, employees, representatives, independent contractors, marketers,

or assigns. Indeed, Qwest expressly denies such wrongdoing.

II. QWEST VOLUNTARY ANTI-SLAMMING PRACTICES

5. Qwest agrees to the following assurances provided to the South Dakota Public Utilities Commission in this agreement:

a. QWEST shall not knowingly submit to any local exchange carrier ("LEC") any preferred carrier change request unless Qwest has complied with all State of South Dakota and Federal Communications Commission ("FCC") rules and orders concerning preferred interexchange and/or intraLATA carrier ("PIC") changes, in effect, or as hereafter modified or amended.

b. Qwest shall require that each Qwest distributor and each person involved in the marketing of Qwest's services review Qwest's anti-slamming policies periodically and affirm that he or she understands the Advisory and will adhere to its contents. Qwest will require that every sales representative sign an Acknowledgement confirming that he or she has read the Advisory, understands its contents, and will adhere to the policies described therein. Qwest shall inform these sales representatives that violations of these policies are grounds for termination.

c. Qwest will maintain a policy that any individual discovered to have forged a signature on a letter of agency ("LOA") must be terminated immediately.

d. Qwest shall require that sales representatives transmit to Qwest the LOA for every sale for which an LOA is used as the method of verification. A Qwest employee shall review each LOA so submitted to ensure it is complete and facially valid. Each LOA with an apparently invalid or forged signature shall be rejected. If an LOA passes this facial review, it shall be scanned into Qwest's computer system by an independent third party.

e. Qwest shall maintain a "stay away" list of customers who have either (1) complained about being slammed in the past; or (2) expressed their intent never to purchase Qwest's services. Qwest shall ensure that consumers added to this list remain on it for a minimum of one year.

f. Qwest shall institute enforcement procedures based on internal reporting and tracking mechanisms to monitor distributor performance with respect to PIC disputes. Inadequate performance initially shall trigger mandatory training and additional monitoring. If performance does not improve, Qwest shall respond with more severe remedial measures and, if performance continues to be unsatisfactory, with termination of the distributor relationship.

g. Qwest shall require every new distributor to disclose all instances where it has been accused of slamming or other deceptive business practices. Qwest shall immediately terminate a distributor contract upon discovery of any inaccurate or incomplete disclosures made by the distributor.

h. Qwest has submitted a slamming compliance plan to the FCC, a copy of which is attached to this document as Exhibit 1. Qwest, as part of this settlement, also agrees to the terms and conditions of this plan.

i. Further, Qwest represents to the South Dakota Public Utilities Commission that it has instituted certain remedial actions with regard to sales agents and telemarketers as contained in Exhibit 2 which is attached to this document, in part as an update to Exhibit 1.

III. **FINAL SETTLEMENT**

6. Qwest shall make a voluntary payment in satisfaction of SDCL 49-31-94 to the State of South Dakota in the sum of Fifty Thousand Dollars ($50,000.00), and pay costs pursuant to SDCL 49-31-96 to the South Dakota Public Utilities Commission of a sum of Two Thousand, Five Hundred Dollars ($2,500.00), to reimburse them for their costs of those proceedings specified in Docket TC00-007. These payments shall be in lieu of any other fines, penalties, or actions as might be

authorized or imposed under SDCL 49-31-38, 49-31-38.1, 49-31-93, 49-31-94, 49-31-95 and 49-31-96, or any other statutes or rules under which the South Dakota Public Utilities Commission is acting. The parties hereto further agree that such payment is fair and reasonable, in the best interests of all parties involved, and an appropriate resolution of TC00-007.

7. The criteria addressed by SDCL 49-31-94 show as follows:

A. Size of the company. Qwest has total stockholders' equity of over $7 billion. (This is from Qwest's home page 1999 financial report, attached to this document as Exhibit 3.)

B. Alleged prior offenses, compliance history: See attached "History of Recent Complaints", which is attached to this document as Exhibit 4.

C. Good faith in attempting to achieve compliance: As stated above, Qwest has submitted a slamming compliance plan to the FCC and instituted certain remedial actions with regard to sale agents and telemarketers, all of which are attached hereto as Exhibits 1 and 2 and incorporated herein by this reference.

8. It is understood and agreed that this agreement addresses the cases specifically cited in Staff's motion in this docket, and any other cases filed against Qwest prior to the date this agreement becomes effective. All of the cases cited by

Staff, except one of these cases have been settled insofar as Qwest had or may have had any liability under SDCL 49-31-93 to the complainants. One case, namely CT 00-002 regarding the complaint of Dan Grider, is yet to be considered by the Commission. There also exists the Mark and Sue Cichos case, CT 00-078, and three complaints involving customers of Sully Buttes Telephone Cooperative. It is, however, understood and agreed that this Agreement is intended to effectuate full and final settlement between the Public Utilities Commission and Qwest as to the matters specifically cited in Staff's Motion in this docket and for any similar fines, costs and statutory penalties that could arise from any other complaints concerning similar matters or claims or complaints of improper practices of any kind received by the Commission on or before the effective date of this Agreement. However, this Agreement does not address compensation, if any, which may be awarded by the Commission pursuant to SDCL 49-31-93 to Grider, Cichos or the three unnamed cumstomers of Sully Buttes Telephone Cooperative.

9. The undersigned Staff of the South Dakota Public Utilities Commission agrees to advise the PUC of this resolution, and request the Commission to enter an Order dismissing with prejudice the Motion filed herein by the undersigned Staff, and Staff also agrees not to bring any other motion or request for proceedings relating to the previously filed complaints itemized in the Motion filed herein, intending this to be a full, final and complete resolution thereof as between the parties hereto. If

the Commission does not dismiss this action, then the parties hereto agree that Qwest shall be given opportunity to respond in writing to the Motion prior to it being scheduled for determination at a formal hearing, and also to respond as necessary with evidence and exhibits relative thereto. Furthermore, this Agreement shall not be final and effective until it is approved and adopted by the South Dakota Public Utilities Commission, and if not so adopted, it shall be of no force and effect.

10. Staff of the South Dakota Public Utilities Commission further agrees not to assert Qwest's business and marketing practices associated with PIC changes or associated complaints or disputes as grounds for opposing issuance of certificates, transfer of certificates or other regulatory approvals necessary for the divestiture by Qwest of its long distance business in the state of South Dakota.

QWEST COMMUNICATIONS CORPORATION

DATE: 6-15-00

By: Mark Pitchford
Mark Pitchford
Senior Vice President for Qwest

STATE OF SOUTH DAKOTA
STAFF OF SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

DATE: 6/16/00

Camron Hoseck

DATE: 6/16/00

Karen E. Cremer
Karen Cremer

SLAMMING COMPLIANCE PLAN OF QWEST COMMUNICATIONS INTERNATIONAL INC.

SUBMITTED TO THE
FEDERAL COMMUNICATIONS COMMISSION
FCC FILE NO. ENF-99-11

NOVEMBER 18, 1999

EXHIBIT
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DC01/SMITM/96197.2

Slamming Compliance Plan of Qwest Communications International Inc.

Qwest Communications International Inc. ("Qwest") hereby submits the following Compliance Plan providing a comprehensive description of Qwest's policies and procedures to eradicate slamming. This Compliance Plan details Qwest's current "zero tolerance" policies with respect to slamming as well as the additional actions it will take to bolster those policies to ensure full compliance with Section 258 of the Communications Act and the Commission's rules and orders relating to PIC changes.[1]

Qwest is fully committed to implementing additional, commercially feasible processes if they can assist in eradicating unauthorized PIC changes. In this Compliance Plan, Qwest proposes substantial new protections against slamming, protections which significantly exceed those required in strict compliance with the FCC's rules and which in most instances go far over and above procedures that its competitors are using. These new procedures will strengthen the safeguards in place within its order processing system to prevent slamming, intensify distributor training and enforcement, and allow Qwest to correct weaknesses that may be discovered in its anti-slamming protections.

In the first section of this Compliance Plan, Qwest briefly outlines its current anti-slamming procedures, put in motion to implement Qwest's "zero tolerance" policy with respect to slamming violations. In the second section, Qwest discusses further improvements it is

1 Qwest intends that the additional actions proposed herein be effective for a period of two years beginning the release date of any order issued in this proceeding.

implementing to strengthen the effectiveness of its zero tolerance policy and ultimately to eradicate slamming.[2]

I. QWEST'S CURRENT POLICIES AND PROCEDURES WITH RESPECT TO SLAMMING.

As described in Qwest's Response to the Notice of Apparent Liability, Qwest has a zero tolerance policy for slamming violations. Qwest employs a three-pronged approach to controlling slamming – relying on strict rules of acceptable behavior, order processing procedures designed to weed out suspect orders, and decisive enforcement against violators. The most significant aspects of each element are discussed below.

A. Rules of Fair Dealing and Honesty

Anti-Slamming Advisory. Each Qwest distributor and each person in any way involved in the marketing of Qwest's services must review Qwest's anti-slamming policies set out in an Advisory and affirm that he or she understands the Advisory and will adhere to its contents. This Advisory explains the common causes of slamming, identifying problem areas such as incorrect telephone numbers, illegible information on an LOA, authorization from the wrong person, and "signing someone up just to 'get the sale.'" In addition, the Advisory warns that slamming is a very serious problem which will be dealt with severely.

The Advisory instructs sales representatives on the ways in which they can protect against inadvertently unauthorized switches, and offers the following recommendations:

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2 This Compliance Plan discusses a number of policies and procedures used to detect attempts by unscrupulous sales agents to pass bad orders through Qwest. The effectiveness of these policies and procedures may be compromised by widespread disclosure of their precise operation, as it may allow a distributor to defeat Qwest's protection mechanisms. Accordingly, Qwest has segregated those elements which require confidentiality in a Proprietary Attachment to this Compliance Plan, and is seeking confidential treatment of the attachment.

- You are strongly encouraged to verify information against each new customer's actual telephone bill for each LOA.
- The person signing the LOA should be a person with authority to act on behalf of the company or the person whose name appears on the telephone bill. It is essential that the person signing the LOA has authority to change long distance carriers.
- NEVER sign someone else's name on an LOA or any other document!
- Don't force a sale that is not there.

In addition, the Advisory gives the following warning: "*Note that children, roommates, receptionists, secretaries and assistants typically do not have the authority to change long distance carriers for an individual or a company.*"

Every sales representative must sign an Acknowledgement confirming that he or she has read the Advisory, understands its contents, and will adhere to the policies described therein. Violations of these policies are grounds for termination of the sales representative.

B. **Order Processing Procedures**

Qwest has improved its order processing procedures over the past year. These improvements provide a better assurance that each order is supported by a complete and valid LOA, and improve the opportunity for consumers to detect improper orders early in the process.

Submission and Scanning of LOAs. Beginning in late September 1999, Qwest improved its procedures for receiving and reviewing the LOAs upon which orders are based. Whereas previously sales representatives (although required to obtain an LOA in all instances) did not submit the LOA unless requested, Qwest now requires for every order that the sales representative transmit to Qwest the LOA upon which the sale is based. A Qwest employee reviews each LOA to ensure it is complete and facially valid. Qwest rejects any LOA with an apparently invalid or forged signature. If an LOA passes this facial review, it is scanned into Qwest's computer system by an independent third party. By scanning the LOA, Qwest obtains a visual image of the entire LOA, which enables, upon request, a comparison of the LOA with other information provided by the customer or regulatory agency. In addition, the scanned image can be searched on several identified data fields. Qwest is exploring ways in which this data may be used in the future – such as through comparison to independent data – in order to identify forged signatures or falsified information contained on an LOA.

This process enables Qwest to weed out the most egregious instances of slamming. By reviewing each LOA submitted, Qwest can identify patterns that suggest an improper order, such as repetitive information on multiple orders or blatant discrepancies in handwriting on an LOA. Moreover, the process ensures that Qwest has on file an LOA for each order before it is submitted to the LEC to initiate the PIC change. In addition, the process gives Qwest the ability to rapidly retrieve and provide information about the authorization upon request from a customer or regulatory agency, and possibly will enable more sophisticated analyses of LOAs in the future.

Welcome Postcard. Shortly after an order is entered into Qwest's system, Qwest mails a welcoming postcard to the customer informing her that it has received and is processing the order. The postcard informs the customer that Qwest has received an order to change the customer's preferred long distance carrier on the telephone line(s) listed. The postcard states that the customer's local telephone company shortly will be implementing the change and informs the customer to call the listed toll-free number if she has any questions about the order.

This postcard provides every customer to be switched to Qwest with notice that a switch is occurring. Qwest uses the postcard as a way to give the customer an opportunity to detect an improper order, ideally before the switch occurs, but in any event, before the customer receives his or her first bill from Qwest or their local exchange company. By notifying a customer promptly after receipt of her order, Qwest hopes to identify any problems at the point in time when they can be corrected most easily and with the least impact on customers.

CARE Flags. When Qwest receives from the local exchange companies a code representing a disputed switch based on an allegation of slamming, it places a flag on the telephone number(s) identified. These flags are used to prevent reinstallation of Qwest service to the same customer after an allegation of an unauthorized switch. Qwest is in the process of implementing a system of additional flags that accomplishes the same function for instances of potentially unauthorized switches identified by other means. Qwest expects to implement this new edit immediately after expiration of its "Year 2000" moratorium on computer system changes.

C. Enforcement Procedures

Charge-Backs and Disgorgement of Profits from Slamming. Qwest's distributor agreements provide the company with an arsenal of weapons it may use when slamming is detected. One particularly important weapon is Qwest's ability to eliminate the economic incentive for slamming by charging back all commissions and fees associated with a slammed order. When Qwest receives notice of a PIC dispute from the LEC, it immediately requires the distributor involved to investigate and report back promptly.[3] If the distributor fails to produce evidence that the order was supported by a valid LOA or it the distributor does not respond within the time period, Qwest will treat the order as an unauthorized switch. Consequently, Qwest automatically will charge back all commissions and fees paid to the distributor.

Qwest will continue to scrutinize these unauthorized orders, however. In addition to charging back commissions, Qwest also is entitled to charge the distributor for administrative

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3 *See* the Proprietary Attachment appended hereto.

and LEC fees imposed, and to assess other penalties if an order is not supported by a valid LOA. If a distributor has failed to provide evidence of valid authorization as described above, Qwest will require the distributor to investigate the order further and to report back to Qwest within a reasonable time identifying the cause of the invalid order and any remedial action taken. If the distributor does not take adequate remedial action or fails to provide this report, Qwest will assess administrative and LEC fees, and additional penalties as permitted by its contracts.

Reporting and Tracking. Qwest now compiles, on a regular basis, a series of reports that track distributor performance in the submission of orders to Qwest. These reports track, by distributor, (1) the percentage of distributor orders rejected for facial defects (tracked daily), (2) the number of orders and amount of commissions charged back to distributors (tracked weekly), and (3) the percentage of PIC disputes and associated billing adjustments to distributors (tracked weekly). A detailed description of each report is provided in the Proprietary Attachment appended hereto. Currently, these reports are used to identify problems with specific distributors, and will be used by Qwest as the basis for action ranging from warning letters to termination of problem distributors.

II. ADDITIONAL ANTI-SLAMMING PROCEDURES TO BE IMPLEMENTED BY QWEST.

Qwest is dedicated to the continuing improvement of its anti-slamming efforts. Effective for the next two years, Qwest proposes to take the following additional actions:

Targeted Third Party Verification of Sales or Sales Channels. In any area where Qwest determines that orders are more susceptible to potential abuse, Qwest will require independent third party verification ("TPV") for these orders. Qwest will review its sales channels and overall performance from time to time to determine types of orders or particular sales channels where TPV is appropriate.[4] Qwest has decided to require TPV on some orders immediately, as set forth in the Proprietary Attachment to this Compliance Plan.

Where Qwest requires verification of orders, all verifications will be provided by an unaffiliated company, and will be conducted in compliance with the Commission's standards for third party verification of telemarketing orders. All TPV sessions will be recorded and maintained for a period of at least two years.

Strengthened Distributor Enforcement Procedures. Qwest will revise its enforcement procedures in order to include clear and objective "triggers" to identify slamming or other marketing problems quickly and to provide effective remedial action. The revised enforcement procedures will be based on internal reporting and tracking mechanisms put in place to monitor distributor performance. If a distributor's improper orders exceed a pre-set threshold of performance, Qwest immediately will begin remedial procedures. In addition, Qwest will use different thresholds to target slamming activity directly. In order to prevent distributors from "gaming" Qwest's detection mechanisms, the precise tracking mechanisms employed and thresholds to be used are described in the Proprietary Attachment to this Compliance Plan.

Inadequate performance initially will trigger mandatory training and additional monitoring to increase the submission of valid orders. Qwest will require the distributor to receive follow-up training sessions (at its own expense) focusing on proper sales techniques and methods to reduce rejected orders.[5] As necessary to remedy specific problems, Qwest will require the distributor to implement specific changes designed to reduce its incidence of bad

4 Qwest will not inform its distributors in advance of the orders that will be required to undergo TPV, and Qwest will retain the discretion to revise its procedures at any time.

5 Qwest will conduct this training at the distributor's main offices, and the distributor will be required to have its own sales representatives present for the follow-up training.

orders. In addition, Qwest will require all of the distributor's sales representatives to reaffirm and re-sign Qwest's Anti-Slamming Advisory and will require a Distributor Self-Audit (discussed *infra*) on a monthly or weekly basis, as necessary under the circumstances.

If performance does not improve quickly after this additional training and monitoring, Qwest will respond with more severe remedial measures and, if performance still has not improved, with termination of the distributor relationship. If additional training and monitoring do not produce a higher level of acceptable orders on those orders submitted within a reasonable time after the training,[6] Qwest (1) will require all of the distributor's orders to be independently third-party verified prior to submission to Qwest, (2) will require re-affirmation of the Anti-Slamming Advisory, (3) will require more frequent Distributor Self-Audits, and (4) may impose additional penalties in its discretion. If subsequent orders still do not show prompt improvement, then, as the third and final level of enforcement, the distributor will be terminated. The specific time periods for improving distributor performance are set out in the Proprietary Attachment to this Compliance Plan.

Strengthened Sales Representative Enforcement Procedures. Effective immediately, Qwest will require every sales representative involved in any way in the marketing of Qwest services to periodically review and sign Qwest's Anti-Slamming Advisory. Qwest will require sales representatives to sign the Advisory at least once every six months, and to affirmatively commit each time to follow its policies.

Furthermore, Qwest will apply its zero tolerance policy to every instance of a forged LOA. If *any* individual is discovered to have forged a customer's signature, Qwest will require that the offending individual be terminated immediately. This policy will apply in the

6 *See* the Proprietary Attachment appended hereto.

first instance of a forged LOA; sales representatives will not be given an opportunity to mend their ways.[7] Qwest will apply this policy to other egregious violations of FCC rules as they may arise.

In addition, if in Qwest's sole discretion, Qwest determines that an individual sales representative is involved in a significant number of improper orders, Qwest will issue warnings to the distributor and require the distributor to report back detailing the remedial actions it took to correct the problem. If problems persist, Qwest will require that the sales representative be reassigned or terminated. Qwest's current policies for initiating action against sales representatives is described more fully in the Proprietary Attachment to this Compliance Plan.

Intensified Pre-Screening of Distributors. Qwest will strengthen the pre-screening measures it employs to ensure that potential distributors are honest and reputable. In addition to its existing pre-screening, Qwest will require every new distributor to disclose all instances where it has been accused of slamming or other deceptive business practices. Qwest will require that all instances be fully disclosed, including allegations made against affiliates, predecessor companies, the distributors' officers, directors or principals, and any companies with which the officers, directors or principals previously or currently are associated. Qwest will immediately terminate a distributor contract upon discovery of any inaccurate or incomplete disclosures made by a distributor.

In addition, Qwest will place new distributors on probationary status for the first 90 days. During this time, Qwest will conduct performance reviews to ensure the distributor meets Qwest's standard of performance. If during this probationary period, the distributor's

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7 The distributor will be required to certify, within 5 business days of receiving notice from (continued...)

performance falls below a pre-set threshold of quality, then Qwest will terminate its relationship with the distributor. The standards Qwest will apply in assessing performance during the probationary period are described in the Proprietary Attachment to this Compliance Plan.

Periodic "Refresher" Training of Sales Representatives. In addition to initial training sessions, Qwest will mandate routine refresher training courses for its distributors. These refresher courses will provide periodic reinforcement of Qwest's anti-slamming policies, including improvements to its procedures implemented since the initial training. In addition, these sessions will cover general sales techniques and will provide a vehicle for discussing new areas of concern that may develop. Each distributor must participate in refresher training courses at least annually.

Order Processing. Qwest will also keep a "stay away" list of customers who have either (1) complained about being slammed in the past; or (2) expressed their intent never to purchase Qwest's services. Consumers will remain on this list for a minimum of one year. When an order is submitted to Qwest, it will be matched against this "stay away" list so as to ensure that consumers on the list are not switched by Qwest. If, however, an order is rejected because it is on the "stay away" list, Qwest will give the consumer an opportunity to decide that he nevertheless would like Qwest service. Qwest will remove the customer from the stay away list and permit a switch only if the customer requests in writing that Qwest do so and sends a copy of the first page of his LEC bill in order to verify authorization.

Independent Audits. Qwest also will annually engage an independent auditor to conduct an examination of its reporting and data tracking mechanisms and the enforcement procedures based upon those reports. This examination shall be supervised by persons licensed

(...continued)
Qwest, that the sales representative was terminated.

to provide public accounting services and shall be conducted in accordance with the relevant standards of the AICPA. Qwest will provide the auditor with full access to all records necessary to conduct the required examination. The independent auditor shall provide an opinion (with exceptions, if any, noted) in a written report submitted to the Board of Directors of Qwest. Qwest's new Senior Vice President of Consumer Markets, who will lead Qwest's expanded anti-slamming initiative, will oversee the implementation of any procedural changes recommended as a result of the auditor's report.

Distributor Self-Audits. Qwest will require each of its distributors to report, on at least a quarterly basis, the results of an internal audit of its anti-slamming procedures. Qwest will require distributors to certify that they are adhering to the Anti-Slamming Advisory, and to report any complaints or inquiries concerning alleged incidents of slamming by the distributor.[8]

*   *   *

Qwest believes that proposed changes, in conjunction with its existing procedures, will further reduce instances of unauthorized switching. Many of the steps outlined above are unprecedented in the industry and will far exceed what is required for strict compliance with the FCC's rules. Qwest is committed to reducing slamming through any commercially feasible mechanism.

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8 In the event a distributor promotes the services of other companies in addition to Qwest, Qwest will require the distributor to report all allegations of slamming, regardless of on whose behalf the distributor was acting.

SLAMMING COMPLIANCE PLAN
of Qwest Communications International Inc.
STATUS/UPDATE – May 1, 2000

This information is being provided as a current status of the efforts of Qwest Communications International Inc., to implement the anti-slamming actions outlined in the attached Slamming Compliance Plan. This information is meant to supplement and provide additional detail to the attached plan.

- *CARE flags* – Page 5, Last italicized subheading in Section I. B., "Order Processing Procedures" – These flags have been implemented.

- *Charge-Backs and Disgorgement of Profits from Slamming* - Page 5, First italicized subheading in Section I.C., "Enforcement Procedures" – Contracts are currently being modified to increase the financial penalty associated with an invalid PIC change to $100 which is two-to-three times the commission revenues associated with the change to even further incent appropriate behavior financially.

Additionally, Qwest has implemented all proposed steps in Section II, "Additional Ant-Slamming Procedures to be Implemented by Qwest."

- *Targeted Third-Party Verification* - Page 6, Section II – currently, over 80% of sales are being third-party verified. This percentage varies somewhat depending on sales mix during a particular week and particular programs being verified. Additionally, Qwest is implementing a new third-party verifier that supports voice and data transfer. This should further increase the accuracy of this process.

  - *Strengthened Distributor Enforcement Procedures* – Page 7, Section II – as a result of identifying sales quality issues, Qwest has now terminated their relationship with some twenty-seven sales agents and/or telemarketing companies.

  Qwest is in final termination discussions with an additional agent/telemarketer.

  Additionally, Qwest has terminated seven additional agents/telemarketers for other reasons.

  There are currently an additional three companies in Phase 1 implementation, two in Phase 2, and two on probation after being in Phase 1 and improving.

Independent Audit – Page 10, Second-to-last italicized subheading in Section II, "Additional Ant-Slamming Procedures to be Implemented by Qwest." – An initial independent audit was performed to help develop this plan and those recommendations were included in this plan. Additional independent audits will be conducted every six months.

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Finally, not included in the compliance plan is an effort by Qwest to have more direct control over the sales efforts made on its behalf. In order to do this:

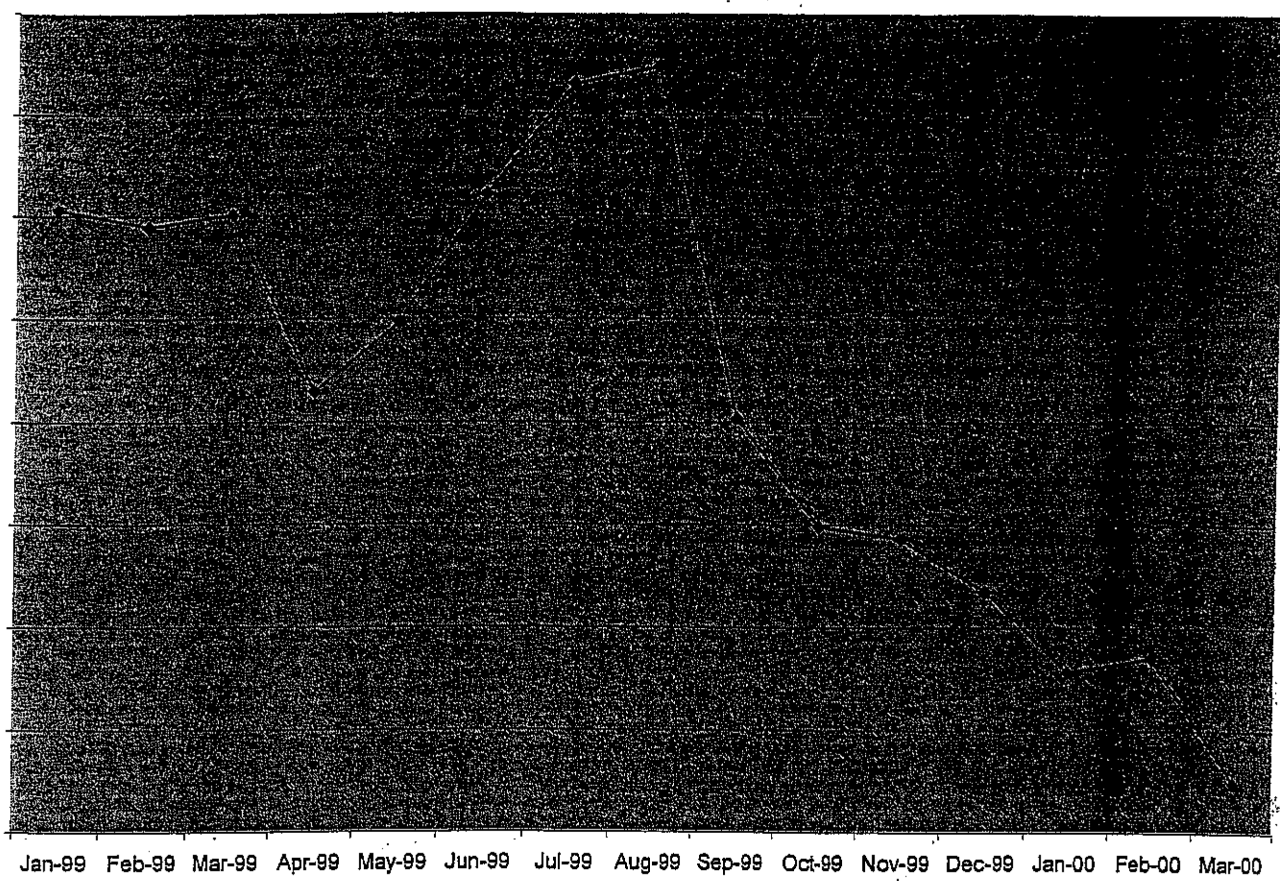
- Telemarketing partners have been shifted from a per sale commission structure to an hourly compensation structure where Qwest personnel can determine scripts and offers and perform ongoing training and quality monitoring.

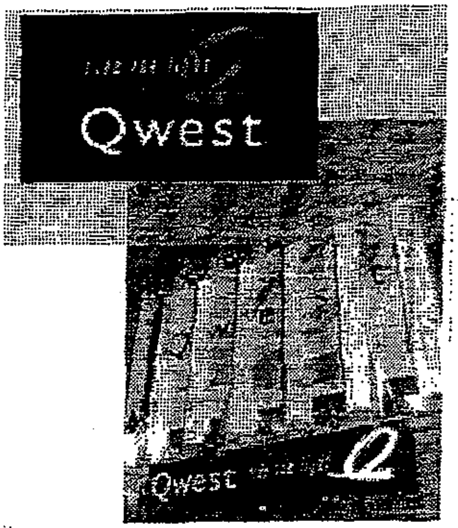
- Direct sales agents have been reduced and the remaining agents have had their compensation shifted so that a large part of that compensation is based upon a customer's ongoing revenue stream, incenting them to ensure that they have quality sales that stick for an extended period of time.

<u>Results</u>
As a result of these actions, the volume of PIC disputes on a national basis has dropped by over 78% between August 1999 and January/February 2000 and is trending even further down.

If there are any additional questions regarding this plan or implementation status, please contact Carol Kuhnow at (703) 363-3189.

National PIC Disputes





On Jan. 3, 2000, Qwest was the first company in the new millennium to be listed on the New York Stock Exchange. The facade of the NYSE was decorated for the celebration with brilliant lights and colors.

Click to view charts
- Market Capitalization
- Pro Forma Revenue
- Pro Forma EBITDA
- Total Assets

financial highlights

(In Millions, Except Per Share Information)	Year Ended December 31, 1999	1998	1997
Statements of Operations:			
Total revenue	$ 3,927.6	$ 2,242.7	$ 696.7
% growth over prior year	75%	222%	[illegible]
Earnings (loss) from operations	323.6	(758.7)	28.6
Net earnings (loss)	$ 458.5	$ (844.0)	$ 14.5
Net earnings (loss) per share:			
Basic	$ 0.63	$ (1.51)	$ 0.04
Diluted	$ 0.60	$ (1.51)	$ 0.04
Recurring net earnings (loss) per share[a]:			
Basic	$ 0.10	$ (0.03)	$ 0.04
Diluted	$ 0.09	$ (0.03)	$ 0.04
EBITDA[b]	$ 769.2	$ 294.5	$ 43.7
Summary Balance Sheet Data:			
Total assets	$ 11,058.1	$ 3,067.5	$ 1,398.1
Long-term debt	$ 2,368.3	$ 2,307.1	$ 630.5
Total stockholders' equity	$ 7,001.3	$ 4,238.2	$ 381.8

(a) Recurring net earnings (loss) per share exclude the following items by year: merger-related expenses of $31.5 million and the gain on the KPNQwest investment of $414.5 million in 1999; merger-related expenses of $848.5 million and a charge of $12.4 million for redemption of certain debt of the company in 1998; and a gain on sale of contract rights of $8.3 million in 1997.

(b) See footnote (d) to Selected Financial Data.

Click here to download printable PDF file of the 1999 Annual Report optimized for black and white printers. (1.4 mb)

EXHIBIT
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History of Recent
Qwest Complaints

	2000	1999	1998	
Slamming	11	26	5	
Cramming	1	5	0	
Deceptive Telemarketer	4	4	3	
Double Billing		5	3	
Fluffing	2	14	3	
Switching Delay	2	1		
Other	1	1	1	
Total	21	56	15	92