

APPENDIX A

R.93-04-003, I.93-04-002 ALJ/DOT/avs

Settlement Agreement between
Verizon California Inc. ("Verizon") and
California Association Competitive
Telecommunications Companies ("CALTEL")

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement") is made and entered into this 1st day of December 2008, by and between Verizon California Inc. ("Verizon") and the California Association Competitive Telecommunications Companies ("CALTEL") on behalf of itself and its members. Verizon and CALTEL are each referred to individually herein as a "Party" and collectively as the "Parties."

This Settlement Agreement is entered into in accordance with the Assigned Commissioner's Ruling dated July 30, 2008. The Parties believe that this Settlement Agreement is a reasonable compromise of their opposing positions regarding the re-examination process at issue in the California Public Utilities Commission's ("CPUC's") Proceeding R.93-04-003\ I.93-04-002. The Parties agree that the provisions of this Settlement Agreement adequately balance the interests of Verizon and CALTEL's members. The Parties aver that this Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. The Parties agree jointly to support the provisions of the Settlement Agreement set forth below.

RECITALS

WHEREAS, in R.93-04-003, I.93-04-002 the Commission is considering the process for re-examining Commission-determined Unbundled Network Element ("UNE") rates; and

WHEREAS, in R.93-04-003, I.93-04-002 the Parties have submitted their proposals for re-examining Commission-determined UNE rates; and

WHEREAS, on July 30, 2008, an Assigned Commissioner's Ruling Setting 120-Day Negotiation Period was issued allowing Parties to negotiate an agreement on the UNE re-examination process to be used by the Commission; and

WHEREAS, pursuant to this Assigned Commissioner's Ruling, the Parties have engaged in negotiation of an agreement on the UNE re-examination process to be used; and

WHEREAS, the Parties desire to settle the dispute over the UNE re-examination process to be used;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the receipt and sufficiency of consideration which are hereby acknowledged by each Party to the other, Verizon and CALTEL, covenant and agree as follows:

COVENANTS

1. Recitals; Defined Terms

The foregoing Recitals are hereby incorporated into and made a part of this Agreement. UNEs are defined as those required by 47 U.S.C 251(c)(3) as determined by the Federal Communications Commission ("FCC").

2. UNE Re-examination Process – Verizon

The Parties agree that a "lock-out" process applies to UNE recurring rates set in D.06-03-025, as subsequently modified by D.07-10-003.

3. Term for "Lock-Out" Process

The Term of this "Lock-Out" Process shall be from December 1, 2008 (or date of settlement) through October 1, 2014 ("Term"). Verizon may provide a statement of intent to file a UNE rate proceeding with the CPUC and the anticipated date for such a filing, no later than six months prior to such filing. Verizon may not file a UNE rate proceeding with the CPUC until the end of the Term, and only after notice consistent with this provision.

4. Further Requirements

- a. The Parties agree that this Settlement is a compromise and settlement of disputed claims at issue regarding the appropriate and legal UNE re-examination process at issue in R.93-04-003, I.93-04-002 and that the Parties have conducted settlement negotiations in compliance with the Assigned Commissioner's Ruling dated July 30, 2008.
- b. This Settlement Agreement is subject to approval by the CPUC. Nothing in this Settlement shall be deemed as an admission or an assessment of the outcome that could have been reached without voluntary negotiations. Further, the Parties agree that the obligations set forth in this Settlement are without any prejudice to positions each Party has taken, or may hereafter take, in any proceeding in another state, or in any future proceeding at the CPUC after the expiration of the term of this Settlement. Commission adoption of this settlement does not constitute approval of, or precedent regarding, any principle or issue in R.93-04-003, I.93-04-002, or in any future proceeding.
- c. No Party shall engage in any *ex parte* contact with the CPUC in regard to this Settlement Agreement unless such Party states that it is in full support of the Settlement Agreement and each and every term thereof. No Party shall seek, directly or indirectly, to have the CPUC modify the terms of this or any other Settlement Agreement in this phase of this proceeding without the express consent of all other Parties.

Settlement Agreement between
Verizon California Inc. ("Verizon") and
California Association Competitive
Telecommunications Companies ("CALTEL")

- d. The Parties each agree, without further consideration, to execute and/or cause to be executed, any other documents, and to take any other action as may be necessary, to effectively consummate the subject matter of this Settlement Agreement.
- e. This Settlement Agreement, shall not establish, be interpreted as establishing, or be used by any Party to establish or to represent their relationship as any form of agency, partnership or joint venture. No Party shall have any authority to bind the other or to act as an agent for the other unless written authority, separate from this Settlement Agreement, is provided.
- f. This Settlement Agreement and all covenants set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their legal successors, heirs, assigns, partners, representatives, executors, administrators, parent companies, subsidiary companies, affiliates, divisions, units, agents, attorneys, officers, directors, and shareholders.
- g. This Settlement Agreement and the provisions contained herein shall not be construed or interpreted for or against any party hereto because that party drafted or caused its legal representative to draft any of its provisions.
- h. This Settlement Agreement shall be governed by and interpreted in accordance with the domestic laws of the State of California.
- i. This Settlement Agreement may be executed in any number of counterparts and by different Parties hereto in separate counterparts, with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement.
- j. The provisions of this Settlement Agreement are not severable. If the CPUC or any court of competent jurisdiction rules that any material provision of this Settlement Agreement is invalid or unenforceable, or materially modifies any material provision of this Settlement Agreement, then this Settlement Agreement shall be deemed rescinded and the Parties returned to the status quo as of the date of execution of this Settlement Agreement.
- k. If the FCC or a court of competent jurisdiction substantially revises the FCC TELRIC rules affecting UNE pricing, then any party may petition the Commission for permission to file a UNE rate proceeding notwithstanding this Settlement Agreement. Nothing in this Settlement Agreement shall prevent any party from opposing any such petition.
- l. The Parties hereto acknowledge each has read this Settlement Agreement, that each fully understands its rights, privileges and duties under this Settlement Agreement, and that each enters this Agreement freely and voluntarily. Each Party further acknowledges that it has had the opportunity to consult with an attorney of its own choosing to explain the terms of this Settlement Agreement and the consequences of signing it.

Settlement Agreement between
Verizon California Inc. ("Verizon") and
California Association Competitive
Telecommunications Companies ("CALTEL")

- m. The Parties each represent that they and/or their counsel have made such investigation of the facts and law pertaining to the matter described in this Settlement Agreement as they deem necessary and that they have not relied and do not rely upon any statement, promise or representation by any other Party or its counsel, whether oral or written, except as specifically set forth in this Settlement Agreement. The Parties each expressly assume the risk of any mistake of law or fact made by them or their counsel.
- n. Each Party is aware that it may hereafter discover claims or facts in addition to or different from those it now knows or believes to be true with respect to the subject regarding the appropriate UNE re-examination process at issue in R.93-04-003, I.93-04-002. Nevertheless, it is the intention of the Parties to fully settle all issues related to the UNE re-examination process for the term described herein, which does not now exist, may exist, or heretofore have existed between them. In furtherance of such intention, for the term described herein, the releases given herein shall be and remain in effect as full and complete mutual releases of all such claims, notwithstanding the discovery or existence of any additional or different claims or facts relative thereto.
- o. With respect to this Settlement Agreement and the releases set forth herein, the Parties hereby expressly waive the Section 1542 of the California Civil Code, which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Parties further acknowledge that this Settlement has been negotiated and agreed upon in light of this situation and expressly waive any and all rights which they may have under Section 1542 of the California Civil Code, or any other state or federal statute or common law principle of similar effect.

- p. The parties acknowledge that the provisions of this Settlement Agreement will be incorporated into an order approved by the CPUC, and that such order shall be binding on all regulated entities to the full extent of the CPUC's jurisdiction over such entities.
- q. The undersigned hereby acknowledge and covenant that they have been duly authorized to execute this Settlement Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement on the pages that follow.

Settlement Agreement between
Verizon California Inc. ("Verizon") and
California Association Competitive
Telecommunications Companies ("CALTEL")

Verizon California Inc.

By: *Elaine M. Duncan*

Printed Name: Elaine M. Duncan

Title: VP-General Counsel

Date: December 1, 2008

California Association Competitive
Telecommunications Companies
("CALTEL")

By: *Sarah De Young*

Printed Name: Sarah De Young

Title: Executive Director

Date: 12-1, 2008

(END OF APPENDIX A)

APPENDIX B

Settlement Agreement between
Pacific Bell Telephone Company d/b/a
AT&T California ("AT&T") and
California Association Competitive
Telecommunications Companies ("CALTEL")

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement") is made and entered into this 2nd day of December 2008, by and between Pacific Bell Telephone Company d/b/a AT&T California ("AT&T") and the California Association Competitive Telecommunications Companies ("CALTEL") on behalf of itself and its members. AT&T and CALTEL are each referred to individually herein as a "Party" and collectively as the "Parties."

This Settlement Agreement is entered into in accordance with the Assigned Commissioner's Ruling dated July 30, 2008. The Parties believe that this Settlement Agreement is a reasonable compromise of their opposing positions regarding the re-examination process at issue in the California Public Utilities Commission's (CPUC's) Proceeding R.93-04-003\ I.93-04-002. The Parties agree that the provisions of this Settlement Agreement adequately balance the interests of AT&T and CALTEL's members. The Parties aver that this Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. The Parties agree jointly to support the provisions of the Settlement Agreement set forth below.

RECITALS

WHEREAS, in R.93-04-003, I.93-04-002 the Commission is considering the process for re-examining Commission-determined Unbundled Network Element ("UNE") rates; and

WHEREAS, in R.93-04-003, I.93-04-002 the Parties have submitted their proposals for re-examining Commission-determined UNE rates; and

WHEREAS, on July 30, 2008, an Assigned Commissioner's Ruling Setting 120-Day Negotiation Period was issued allowing Parties to negotiate an agreement on the UNE re-examination process to be used by the Commission; and

WHEREAS, pursuant to this Assigned Commissioner's Ruling, the Parties have engaged in negotiation of an agreement on the UNE re-examination process to be used; and

WHEREAS, the Parties desire to settle the dispute over the UNE re-examination process to be used;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the receipt and sufficiency of consideration which are hereby acknowledged by each Party to the other, AT&T and CALTEL, covenant and agree as follows:

COVENANTS

1. Recitals; Defined Terms

The foregoing Recitals are hereby incorporated into and made a part of this Agreement. UNEs are defined as those required by 47 U.S.C 251(c)(3) as determined by the Federal Communications Commission ("FCC").

2. UNE Re-examination Process – AT&T

The Parties agree that the following indexing mechanism applies to UNE recurring rates set in D.04-09-063, as subsequently modified by D.05-05-031:

$$\begin{aligned} \text{new price}_{UNE} &= \text{old price}_{UNE} * (1 + \text{index}) \\ \text{where} \\ \text{index} &= \text{Inflation}_{\text{previous year}} - 2.25\% \\ \text{where} \\ \text{Inflation}_{\text{previous year}} &\leq 3.00 \text{ and } \geq 1.50. \end{aligned}$$

Inflation = The prior calendar year's calculated percent change in the Gross Domestic Product Price Index published in the current year's August edition of the U.S. Department of Commerce's Bureau of Economic Analysis *Survey of Current Business* as currently tabulated in Table 7 Line 45 of: <http://www.bea.gov/newsreleases/national/gdp/2008/xls/gdp308a.xls>

The index will be calculated and included in annual advice letter filings modifying the UNE recurring rates in Interconnection Agreements on October 1 of each year beginning October 1, 2010. New rates noticed in each such advice letter will become effective January 1 of the year following the October 1 advice letter filing.

3. Term for Indexing Mechanism Process

The Term of this Indexing Mechanism Process shall be from October 1, 2010 through October 1, 2015 ("Indexing Term"). Thereafter, the Indexing Mechanism Process shall continue for one or more Renewal Terms, each on a three year basis unless notice is given by either Party to terminate 6 months in advance of the conclusion of the Initial Term or any Renewal Term. In the event that AT&T seeks to terminate under this provision, in addition to the notice, AT&T will also provide a statement of whether it intends to file a request for cost proceeding with the CPUC and the anticipated date for such a filing. AT&T may not file a request for a cost proceeding with the CPUC until the end of the Initial Term or Renewal Term, and only after notice consistent with this provision.

Settlement Agreement between
Pacific Bell Telephone Company d/b/a
AT&T California ("AT&T") and
California Association Competitive
Telecommunications Companies ("CALTEL")

4. Further Requirements

- a. The Parties agree that this Settlement is a compromise and settlement of disputed claims at issue regarding the appropriate and legal UNE re-examination process at issue in R.93-04-003, I.93-04-002 and that the Parties have conducted settlement negotiations in compliance with the Assigned Commissioner's Ruling dated July 30, 2008.
- b. This Settlement Agreement is subject to approval by the CPUC. Nothing in this Settlement shall be deemed as an admission or an assessment of the outcome that could have been reached without voluntary negotiations. Further, the Parties agree that the obligations set forth in this Settlement are without any prejudice to positions each Party has taken, or may hereafter take, in any proceeding in another state, or in any future proceeding at the CPUC after the expiration of the term of this Settlement. Commission adoption of this settlement does not constitute approval of, or precedent regarding, any principle or issue in R.93-04-003, I.93-04-002, or in any future proceeding.
- c. No Party shall engage in any *ex parte* contact with the CPUC in regard to this Settlement Agreement unless such Party states that it is in full support of the Settlement Agreement and each and every term thereof. No Party shall seek, directly or indirectly, to have the CPUC modify the terms of this or any other Settlement Agreement in this phase of this proceeding without the express consent of all other Parties.
- d. The Parties each agree, without further consideration, to execute and/or cause to be executed, any other documents, and to take any other action as may be necessary, to effectively consummate the subject matter of this Settlement Agreement.
- e. This Settlement Agreement, shall not establish, be interpreted as establishing, or be used by any Party to establish or to represent their relationship as any form of agency, partnership or joint venture. No Party shall have any authority to bind the other or to act as an agent for the other unless written authority, separate from this Settlement Agreement, is provided.
- f. This Settlement Agreement and all covenants set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their legal successors, heirs, assigns, partners, representatives, executors, administrators, parent companies, subsidiary companies, affiliates, divisions, units, agents, attorneys, officers, directors, and shareholders.
- g. This Settlement Agreement and the provisions contained herein shall not be construed or interpreted for or against any party hereto because that party drafted or caused its legal representative to draft any of its provisions.
- h. This Settlement Agreement shall be governed by and interpreted in accordance with the domestic laws of the State of California.

Settlement Agreement between
Pacific Bell Telephone Company d/b/a
AT&T California ("AT&T") and
California Association Competitive
Telecommunications Companies ("CALTEL")

- i. This Settlement Agreement may be executed in any number of counterparts and by different Parties hereto in separate counterparts, with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement.
- j. The provisions of this Settlement Agreement are not severable. If the CPUC or any court of competent jurisdiction rules that any material provision of this Settlement Agreement is invalid or unenforceable, or materially modifies any material provision of this Settlement Agreement, then this Settlement Agreement shall be deemed rescinded and the Parties returned to the status quo as of the date of execution of this Settlement Agreement.
- k. If the FCC or a court of competent jurisdiction substantially revises the FCC TELRIC rules affecting UNE pricing, then any party may petition the Commission for permission to file a UNE rate proceeding notwithstanding this Settlement Agreement. Nothing in this Settlement Agreement shall prevent any party from opposing any such petition.
- l. The Parties hereto acknowledge each has read this Settlement Agreement, that each fully understands its rights, privileges and duties under this Settlement Agreement, and that each enters this Agreement freely and voluntarily. Each Party further acknowledges that it has had the opportunity to consult with an attorney of its own choosing to explain the terms of this Settlement Agreement and the consequences of signing it.
- m. The Parties each represent that they and/or their counsel have made such investigation of the facts and law pertaining to the matter described in this Settlement Agreement as they deem necessary and that they have not relied and do not rely upon any statement, promise or representation by any other Party or its counsel, whether oral or written, except as specifically set forth in this Settlement Agreement. The Parties each expressly assume the risk of any mistake of law or fact made by them or their counsel.
- n. Each Party is aware that it may hereafter discover claims or facts in addition to or different from those it now knows or believes to be true with respect to the subject regarding the appropriate UNE re-examination process at issue in R.93-04-003, I.93-04-002. Nevertheless, it is the intention of the Parties to fully settle all issues related to the UNE re-examination process for the term described herein, which does not now exist, may exist, or heretofore have existed between them. In furtherance of such intention, for the term described herein, the releases given herein shall be and remain in effect as full and complete mutual releases of all such claims, notwithstanding the discovery or existence of any additional or different claims or facts relative thereto.
- o. With respect to this Settlement Agreement and the releases set forth herein, the Parties hereby expressly waive the Section 1542 of the California Civil Code, which provides that:

Settlement Agreement between
Pacific Bell Telephone Company d/b/a
AT&T California ("AT&T") and
California Association Competitive
Telecommunications Companies ("CALTEL")

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Parties further acknowledge that this Settlement has been negotiated and agreed upon in light of this situation and expressly waive any and all rights which they may have under Section 1542 of the California Civil Code, or any other state or federal statute or common law principle of similar effect.

- p. The parties acknowledge that the provisions of this Settlement Agreement will be incorporated into an order approved by the CPUC, and that such order shall be binding on all regulated entities to the full extent of the CPUC's jurisdiction over such entities.
- q. The undersigned hereby acknowledge and covenant that they have been duly authorized to execute this Settlement Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

Settlement Agreement between
Pacific Bell Telephone Company d/b/a
AT&T California ("AT&T") and
California Association Competitive
Telecommunications Companies ("CALTEL")

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement on the pages
that follow.

California Association Competitive
Telecommunications Companies
("CALTEL")

Pacific Bell Telephone Company d/b/a
AT&T California by AT&T Operations,
Inc., its authorized agent

Signature: *Sarah De Young*

Signature: _____

Name: *Sarah De Young*
(Print or Type)

Name: _____
(Print or Type)

President

Title: *Executive Director*
(Print or Type)

Title: _____
(Print or Type)

Date: *December 2, 2008*

Date: _____

Settlement Agreement between
Pacific Bell Telephone Company d/b/a
AT&T California ("AT&T") and
California Association Competitive
Telecommunications Companies ("CALTEL")

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement on the pages that follow.

California Association Competitive
Telecommunications Companies
("CALTEL")

Pacific Bell Telephone Company d/b/a
AT&T California by AT&T Operations,
Inc., its authorized agent

Signature: _____

Signature: John C. Nolan

Name: _____
(Print or Type)

Name: JOHN C. NOLAN
(Print or Type)

Title: _____
(Print or Type)

Title: EXEC. DIR. PRODUCT MKTG.
(Print or Type)

Date: _____

Date: 12/2/08

(END OF APPENDIX B)